GOVERNMENT OF WESTERN AUSTRALIA

OFFICE OF THE INSPECTOR OF CUSTODIAL SERVICES

ANNUAL REPORT 2016/17

Independent oversight that contributes to a more accountable public sector.

RESPONSIBLE MINISTER

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ABOUT THIS REPORT

This report is prepared to satisfy the Office's accountability to Parliament, pursuant to Part 5 of the *Inspector of Custodial Services Act 2003*.

It is also designed to enhance understanding of the Office's activities. This report plays a significant role in communicating aspects of the Office's work to the wider Western Australia community.

This report is available on the Office's website and will be made available, upon request, in alternative formats.

This document uses environmentally friendly paper, comprising 50% recycled & 50% totally chlorine free plantation pulp.

PART ONE – OVERVIEW

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1. Background

Parliament established the Office of the Inspector of Custodial Services in 2000 through amendments to the *Prisons Act 1981*. The goal was to ensure a strong, independent inspection regime for prisons, court custody centres, prisoner transport, and a small number of police lockups.

In 2003, Parliament enacted the *Inspector of Custodial Services Act 2003* (the *Act*). This extended our jurisdiction to juvenile detention centres.

In 2011 the *Act* was amended to give us stronger powers to examine specific aspects of custodial services, including the experience of individuals or groups of people.

The Inspector is Neil Morgan (previously Winthrop Professor and currently Adjunct Professor at the University of Western Australia Law School). He commenced duties on 30 March 2009, and was appointed to another five year term in 2014.

The Deputy Inspector is Andrew Harvey. He previously held senior positions in the Ombudsman's office and other agencies.

2. About us

We are an independent statutory body with a strong focus on performance standards in custodial facilities and the rights of people in custody and staff. We report directly to Parliament, ensuring a high level of transparency and accountability.

Our responsibilities include:

- inspecting adult custodial facilities, juvenile detention centres, court custody centres and custodial transport services
- reviewing specific aspects of custodial services and the experience of individuals or groups
- carrying out thematic reviews
- managing the Independent Visitor Service.

Purpose and mission

We aim to:

- improve public confidence in the justice system
- reduce reoffending
- facilitate better value for money from the justice system.

Our mission is to provide:

- advice that contributes to the overall development of correctional facilities and programs
- advice that is based on evidence gathered through independent and objective inquiry.

Our values

Integrity: we seek to act ethically, honestly, impartially and in the best interests of the community

Quality: we seek to be efficient, deliver on-time, and provide well researched advice and recommendations

Equity: we treat all people with respect and value diversity

Innovation: we value creativity, learning and continuous improvement.

Key stakeholders

Our key stakeholders include:

- Parliament
- Minister for Corrective Services
- management and staff working for the Department of Justice (the Department)[1] and its contractors
- people in custody
- families of people in custody
- the judiciary and people working in other justice agencies such as WA Police and court services
- non-government organisations
- the Western Australian community.

3. Inspections

Our jurisdiction

Under sections 19-20 of the *Act* we must inspect and report to Parliament at least once every three years on the following sites:

- 17 prisons
- five prison work camps
- one juvenile detention centre
- all court custody centres
- police lock ups that have been 'prescribed' to be used as court custody centres.

We also have jurisdiction to inspect prisoner transport arrangements but are not required to report on this every three years.

Processes and methodology

Our inspections of prisons and detention centres usually involve one to two weeks on site, depending on risk and complexity. We generally provide three to four months' notice to relevant parties of the dates that we will be on site.

The Inspector has the power, should this be necessary, to conduct inspections that are unannounced or preceded by a short notice period. We rarely conduct unannounced inspections, but do regularly conduct unannounced or short notice monitoring/liaison visits (see below).

We have a robust process of evidence gathering and inquiry. Before the period onsite, we conduct surveys of staff and people in custody, analyse data and documents, and hold meetings with senior staff and external service providers. We may also invite external consultants to join an inspection to supplement internal expertise.

During the onsite inspection period, we examine the physical environment and infrastructure, and observe all key processes and interactions. We meet prison management, staff groups, prisoner groups, and community representatives, and talk to individual staff and people in custody.

1 On 1 July 2017 the Department of Corrective Services merged with the Department of the Attorney General to become the Department of Justice. This report refers to the Department of Justice as 'the Department' and encompasses the responsible department before and after the merger.

Most managers of places of custody try to take immediate action to address our concerns when they are within their control. However, some matters can only be addressed with head office support or resources.

Interim findings / Exit Debrief

At the end of the time onsite, the Inspector gives an 'Exit Debrief' to staff, local management and head office representatives (usually the Commissioner or Deputy). This outlines our interim findings and indicates areas where recommendations are likely. We also give broad feedback to people in custody.

The Exit Debrief is an important element of a transparent and effective inspection system:

- it gives timely recognition to areas of good performance
- it allows the Department or its contractors to initiate improvements immediately
- it enhances due process because all relevant parties are aware early on of our probable findings, both positive and negative.

After taking account of any immediate feedback, we provide confidential copies of the Exit Debrief to the Minister, the Legislative Council Standing Committee on Public Administration, the Department and other relevant parties within a week.

If an individual or an agency believes our interim findings involve factual errors or problems of balance, they can request further meetings and provide additional information.

Preparing reports

Section 20 of the *Act* requires us to prepare an 'inspection report' with findings and recommendations. Section 37 requires that before expressing a critical opinion in a report, the Inspector gives an affected party an opportunity to make submissions. A Memorandum of Understanding between the Office and the Department embeds further due process checks.

After completing the on-site fieldwork, we conduct further analysis of the evidence and prepare a draft report. We generally send the draft to the Department and other relevant parties for comment around three months after the on-site inspection period. They are usually given four weeks to comment on the draft, to identify possible errors, to respond to recommendations, and to provide additional information. We may also need to seek further clarification before we finalise and print the report.

These processes ensure that the Minister and the Department are well aware of findings and recommendations before reports are sent to Parliament.

The final report includes an overview by the Inspector, a table of responses to recommendations, and an assessment of progress against previous recommendations.

Tabling reports

Once the report is finalised, it is sent to Parliament. Our ***Act*** imposes a minimum 32 day embargo period after a report is received by Parliament. It also requires reports to be tabled on a Parliamentary sitting day unless the Inspector decides it would be unreasonable to delay tabling. This means the public release of all our reports is delayed for over a month after it is finalised.

Other Western Australian Parliamentary officers such as the Auditor General do not face such a long embargo period. Nor does the Inspector of Custodial Services in New South Wales.

Continuous inspection model

It is not possible to accurately assess the performance of a facility based only on a 'snapshot' every three years. Risks and performance change over time, and more frequent oversight is needed, even though this may not lead to a formal report to Parliament.

We use several mechanisms to ensure regular monitoring of risk, performance, and progress. They include the following:

- If necessary or desirable, we report to Parliament more often than the three year cycle.
- We conduct regular monitoring visits ('liaison visits') to all facilities.
- Independent Visitors provide feedback from prisons and detention centres at regular intervals.
- The Inspector meets regularly with the Minister and the chief executive of the Department.
- OICS staff meet regularly with Department head office personnel.

Monitoring / liaison visits

We conduct regular liaison visits to all places of custody in our jurisdiction. These visits are a crucial element in monitoring performance, risk and improvement opportunities. In addition to liaison visits, we also visit sites on a less formal basis.

Our visit schedule reflects risk, and therefore varies between sites and over time. We visit most prisons at least four times each year, and the higher risk prisons and Banksia Hill Detention Centre at least six times a year. We generally visit work camps and court custody centres at least once a year.

Liaison visits can be announced or unannounced. We usually give some advance notice so the facilities can help us engage with relevant staff and people in custody, but it is common for visits to be conducted at short notice. We do unannounced visits when necessary or appropriate.

4. Independent Visitor Service

The Independent Visitor Service is an integral part of the state's accountability mechanisms. Under the *Act,* the Minister appoints Independent Visitors ('IVs') on the advice of the Inspector, and the Inspector administers the service on behalf of the Minister. IV reports assist the Inspector to provide advice to the Minister and to inform the work of the Office.

The IVs are a highly qualified and diverse group of community volunteers who bring skill, insight, and common sense to the role. They make an invaluable contribution to resolving issues and improving oversight.

People held in prisons and detention centres are able to tell IVs their views and to raise concerns about their treatment and conditions. Before leaving the facility, IVs debrief with the Superintendent or Deputy so that matters can be resolved as soon as possible.

After a visit, the IVs send us a report on their findings. We assess the report and send it to the Department with our comments and requests for additional information. The Department then returns the report with its responses.

5. Reviews

Nature and scope

The *Inspector of Custodial Services Amendment Act 2011* was enacted in response to the Coronial inquest into the heat-related death of Aboriginal elder, Mr Ward, in a prisoner transport vehicle. It expanded and embedded the Inspector's powers to examine aspects of custodial services and the experience of individuals or groups of people in custody. We developed the 'review' function to exercise these powers.

Like inspections, reviews lead to findings and may include recommendations. Since 2012, we have addressed a wide range of topics relating to security, safety, rehabilitation and management.

We analyse multiple sources of information to derive and validate findings. These include academic and professional reviews, evidence from other jurisdictions, and data from the Department's offender management databases. We also use other departmental documents (such as evaluations, strategic plans, budget papers, and business cases), as well as advice from stakeholders and service providers.

Reporting

Unlike inspection reports, there is no requirement for reviews to be tabled in Parliament and made public (section 34(2)(b) of the *Act)*. However, for reasons of transparency, accountability and system improvement, our practice is that:

- Review reports will be tabled in Parliament unless there are exceptional reasons not to, such as safety, privacy or security.
- If the Inspector does decide not to table a report, confidential copies will be sent to the Standing Committee on Public Administration, the Minister, and the Department.

Directed reviews

The Inspector is accountable to Parliament, not to the Minister or the Chief Executive of the Department. It follows that the Inspector cannot be subject to a binding direction as to the scope, content or methodology of activities.

However, section 17(2) of the *Act* does allow a Minister to issue a written direction to the Inspector to carry out an inspection or review in certain circumstances. The Inspector must comply with such a direction unless, in their opinion, there are exceptional circumstances for not complying.

The most recent Directed Review required us to report on the causes and aftermath of a riot at Banksia Hill Detention Centre in January 2013. Our August 2013 report made far-reaching recommendations for reform, almost all of which were accepted by government.

6. Other activities

While the Inspector does not report to the Minister or the Department, effective communication with both is important. The benefits of an inspection system are only realised when the concerns we raise are understood and acted upon in a timely manner. When processes are working well, matters can often be resolved, and improvements made, without any need for a formal review or report.

Western Australia was the first state to establish an independent Inspectorate. However, several other jurisdictions have now been established or will be establishing such systems such as NSW and Tasmania. We have played a significant role to help these new Inspectorates (for further detail, see below).

7. Our environment: Custodial and Office pressures

The challenges faced by ourselves and the Department have increased. The prison population is still rising rapidly. Youth custody has faced serious problems despite lower numbers. There have been major changes to the structure and leadership of the Department. And, like all agencies, both we and the Department face growing budget pressures.

Custodial environment pressures

Significant changes in the structure and leadership of the Department

The state election in March 2017 resulted in a change of government, and therefore a change in Minister for Corrective Services. Shortly after the election, the Commissioner for Corrective Services resigned.

In June the new government announced major 'machinery of government' changes. They included merging the Department of Corrective Services with the Department of the Attorney General to create the Department of Justice. The Department of Justice will retain responsibility for prisons, adult community corrections, and youth custody. However, community aspects of youth justice will transfer to the new Department of Community Services.

The merger occurred on 1 July 2017. It has the potential to promote a more coordinated approach to justice services and to improve service delivery. However, it will take time for the changes to bed in, and for people to adjust to the demands of a new government, a new Minister, a new acting commissioner and a new Department.

Changes in government policy towards outsourcing

The previous government favoured a model of 'contestability', greater outsourcing of custodial services, and Public Private Partnership ('PPP') arrangements. However, the new Labor government has said it will not extend outsourcing and will bring at least some outsourced services bask under public management.

At the time of our last Annual Report, there were three main contracts for custodial services: Acacia Prison, Wandoo Reintegration Facility, and Court Security and Custodial Services (CSCS). At the time, Serco held all three contracts. A new contract was introduced in 2016-17 and contract providers were changed. There are now four contracts and three service providers. Serco still operates Acacia and Wandoo, Broadspectrum has taken over the CSCS contract, and Sodexo operates the Melaleuca Remand and Reintegration Facility for women.

We do not take any position for or against outsourcing. Our focus is on performance, effectiveness and accountability. However, it is important to record that this year's reports on Acacia, Wandoo and court custody showed strong contractor performance.

The change in policy towards outsourcing creates some uncertainty. The Acacia and CSCS contracts both have some years to run, and if the contractors continue to meet expectations, short term change is unlikely.

The contract for the Melaleuca Remand and Reintegration Facility for women started in late 2016, and runs to 2021. However, the new government has indicated its intention to convert this to a male 'meth-rehab' facility.

The future of Wandoo is very uncertain. This year's inspection found Wandoo was performing very well, with no performance reason why it should not continue. The contract was due to expire at the end of October 2017 but in July, the government extended it to the end of April 2018 while it takes stock of the best use of the custodial estate. In our view, whatever decision is taken with Wandoo, it is vital to retain a focus on the reintegration of young people.

The new Eastern Goldfields Regional Prison, which opened in August 2016, involves a different type of PPP arrangement. The public sector operates the prison, but the private sector is responsible for design, build, finance and maintenance (a 'DBFM' model). Our January 2017 inspection found this was working well, and had real potential.

The single facility for youth justice has been a failure

Youth justice increased as a risk for the Department this year. Banksia Hill Detention Centre was unstable for most of 2016-2017. There was also growing national interest in youth justice following revelations about the treatment of young people in the Northern Territory and the establishment of a Royal Commission.

In 2016, Banksia Hill's population was lower than in the past, but there were several incidents of serious damage (see also 'Show cause' notices, below). Self-harm also reached unprecedented levels. Critical incidents and self-harm continued during the first four months of 2017, culminating in two major incidents on 4 and 5 May 2017.

During this time, the Department was driving a transformation project at the facility. The aim was sound, to introduce a trauma informed and more individualised approach to managing young people. But the project was poorly implemented. Staff were confused and frustrated, leading to distrust, division, confusion and inconsistency in the treatment of young people.

The Centre has been more settled since the May 2017 incidents but remains fragile. Progress must be maintained.

Since October 2012 Banksia Hill has been the only youth custodial centre in the state. It houses males and females; children as young as 10 and young adults aged 18-plus; young people from every part of the state; and both sentenced and remand youth.

Given that Banksia Hill has been unstable for most of the past five years, it is difficult to avoid the conclusion that the 'one-stop shop' model has been a failure. There is no 'silver bullet' to improving youth custodial services, but in a report on behaviour management practices in Banksia Hill (tabled on 17 July 2017), we recommended that the government consider smaller facilities across the state. This would allow better separation, better targeted programs for youth in conflict with the law, and an ability to keep young people closer to home.

The report attracted considerable public attention and support, and the Premier announced that the government will examine options for detaining young people from the Pilbara, Kimberley and the Goldfields in their local region rather than Banksia Hill. It will also examine alternatives for young women and girls. These are welcome developments.

The prison population is rising

The prison population continues to rise, although not at the same speed as it did last year. As discussed below, key drivers have included increases in the number of remandees and women.

On 30 June 2017 there were 6,882 people in custody, including youth in detention. This is an increase of 408 people from this time last year. To put this is context, only three of our 17 facilities have a design capacity of more than 320.

The number of people churning through custody is also rising:

- In 2012-2013, 11,945 distinct people were held in custody at some point during the financial year. This year the number was 14,542.
- In 2012-2013, there were 8,130 admissions to our prisons. This year, 10,662 people were admitted to custody.

Therefore in five years, the number of people who require services, accommodation, supervision and support had risen by an extra 2,500 people. This creates major problems for an already-crowded system.

Significantly, the rise in the prison population did not appear to correlate with increasing crime.

Prisons are crowded and we need to build a new prison or stem population growth

The nationally accepted benchmark for measuring prison occupancy rates (contained in the Productivity Commission's annual Reports on Government Services) is to compare design capacity with actual numbers. Using this measure, our 2016 report on prison capacity found WA prisons were at 150 per cent of capacity (see below).

From 2011 to 2017, the Department changed its definitions of 'capacity' and tried to claim that prisons were not full. The reality is that:

- the system as a whole is overcrowded
- most individual prisons are overcrowded
- the situation is unsustainable and risky
- cell sharing conditions in some prisons are inhumane. Some do not even meet International Committee of the Red Cross standards for developing countries
- prisons have not been given the supporting infrastructure and services they need to support additional numbers.

The majority of cells in the state's prisons are now routinely 'double-bunked'. In 2010, the Department told us that double-bunking was a 'temporary measure' until new accommodation came on line. That was never credible and, as predicted, the Department now regards double-bunking as acceptable, routine practice. There are no signs that double-bunking will be wound back.

The Department's Strategic Plan 2015-2018 aimed to meet projected growth through a capital works program including a new 350 bed prison in Eastern Goldfields and expanding Acacia Prison to accommodate another 387 people. In total, this provided around 700 beds. This was nowhere near the actual growth in numbers from July 2015 to July 2017 (around 1,330).

The expansion of Acacia was completed in 2015. However, it has already had to absorb another 75 people over and above the intended 387. The new Eastern Goldfields Regional prison opened in August 2016, but is still bedding in, and has yet to reach its capacity of 350.

The prison system is bloated and the growth in numbers over recent years is unsustainable. In the short term, it is important for the Department to make full use of its under-used assets. These include expensive work camps in Roebourne, Warburton, and Wyndham, and a 37-bed minimum security unit at Bunbury Regional Prison. However, these are just stop-gap measures. In the longer term, there are only two options. One is to build a large new metropolitan prison. The other is to peg or reduce the prison population.

In December 2016, on the release of our report on prison capacity and crowding, the previous government gave the Department additional money to plan such a prison. However, in March 2017, the incoming government made it clear that there was no money for a new prison; that existing assets had to be fully used; and that it would seek to stem the prison population growth.

We welcome the government's commitment to do this. Western Australia already has a high imprisonment rate compared with other jurisdictions, and prison is very expensive. However, it will take resources and strong political resolve to achieve long term reductions. Options that will need to be explored include:

- a focus on Aboriginal community justice mechanisms
- greater use of community supervision, including electronic monitoring
- reducing the number of people on remand

- reducing the number of women in prison
- improving program delivery so prisoners have better chances of release on parole
- reducing the flow of fine defaulters (this will not reduce the daily population but will reduce financial and human costs).

It is also important to improve the focus on needs not numbers. The state urgently needs more specialist units in its prisons to address the needs of young people, older people, and people with mental health needs.

Western Australia has the highest rate of Aboriginal incarceration in Australia and numbers are still rising

On 30 June 2017 there were 2,613 Aboriginal people in custody in Western Australia an increase of 91 people from this time last year.

Aboriginal and Torres Strait Islander people make up three per cent of the Western Australian population, but 38 per cent of our prison population. Western Australia continues to imprison more Aboriginal people per head of the Aboriginal population than any other state or territory.

The figures are even more pronounced for women and children. On average this year, three in four young people in custody, and one in two women, were Aboriginal.

Aboriginal overrepresentation is even more pronounced when looking at distinct people who were held in custody this year. Aboriginal people make up 44 per cent of this group. This means that Aboriginal people are not only overrepresented on any given day, but are also churning through custody more frequently.

The proportion of people in custody on remand remains high

Five years ago, one in five adults held in custody were on remand. Now, almost one in three are on remand. People on remand have not been sentenced. The vast majority have not even been convicted.

Hakea Prison is the state's primary male remand facility. It is stretched, pressured, and unable to meet demand. Insufficient capacity at Hakea has meant that other prisons whose infrastructure and operations are geared to sentenced prisoners, must now house large numbers of remandees. This has generated significant pressures, especially at Casuarina Prison. Management and staff deserve credit for the pragmatic way they have adjusted their practices and attempted to continue to provide services.

People on remand must be a priority in government planning of future prison construction. They must also be given more support services, both in prison and on release.

The proportion of women in custody is continuing to rise

Five years ago there were 477 women in custody. On 30 June 2017 there were 694, an increase of over 45 per cent. Women now make up more than 10 per cent of the prison population.

Women made up an even higher proportion of distinct people who came into custody during the year (14.5%), and of those released (17%). This indicates not only that more women are being held in custody each year, but also that they are churning through more frequently than men.

Bandyup Women's Prison had been the most overcrowded and stressed prison in the state for some years. In mid-2016, it was holding almost twice the number of people it was designed for, and was under unsustainable pressure. The pressure at Bandyup has been reduced with the opening of the privately-operated Melaleuca Remand and Reintegration Facility for women in December 2016. When we inspected Bandyup in March 2017, it was a much calmer and safer prison, but still faced serious challenges in meeting the complex needs of its population.

Every prison takes time to bed in, and Melaleuca is no exception. In the first few months of operation, there were a number of incidents and concerns. More recently, it has become more settled. Key issues for Melaleuca include:

- the site has a number of limitations
- there has been too little for the women to do
- the prisoner mix (remand and reintegration) is unusual and difficult
- coordination with Bandyup is still developing.

If, as indicated pre-election, the government alters the functions of Melaleuca so that it becomes a 'meth-rehab' facility for men, consideration will need to be given to the placement of women. They cannot be fitted back into Bandyup and alternatives will be needed.

Mental health services in custodial facilities are not meeting need

Too many mentally unwell people are held in prison or youth detention rather than in dedicated mental health facilities. This creates numerous risks and leaves mental health needs unaddressed.

The 2015 Health of Australia's prisons report from the Australian Institute of Health and Welfare (AIHW) found that half of the people entering prison reported being told by a doctor, psychiatrist, psychologist or nurse that they had a mental health disorder. Women were more likely to report having a disorder than men (62% vs 40%). More than a quarter of people entering prison reported taking mental health medication (37% of women).

Unfortunately, the state's secure forensic psychiatric unit (the Frankland Centre) only has 32 beds, the same number as for the last 24 years. On 30 June 2017 there were 6,882 people in custody. Therefore the Frankland Centre was able to provide support for less than half of one per cent of the prison population. This falls far short of what is required.

In the last few years, an enormous amount of energy, time and money has been spent discussing the problem. What is needed now is action.

OICS pressures

Budget constraints and workload

Over the past five years, we have managed our budget well and have successfully driven cost savings. We will endeavour to continue to do so. However, our funding has sharply declined relative to spending by the services we oversee:

- In 2009, when we had only the inspection function, and not the review function, we were funded at around half of one per cent of the corrections budget.
- The review function means we now do significantly more work. We had a small increase in funding for this work but our overall funding has dropped to just 0.4 of one per cent of the corrections budget. If we were still funded at 2009 levels, we would have more than 20 per cent on top of current budget allocations, solely for inspections.
- We have not obtained additional funding for new prisons.
- We are not funded by reference to the prison population, and do not receive extra funding when the capacity of individual prisons is expanded.
- We face a 3.5 per cent budget cut in 2017-2018.

We need to remain responsive to risks

Despite budget constraints, we have continued to be responsive to emerging risks and issues. The best examples are Banksia Hill Detention Centre and Melaleuca Remand and Reintegration Facility for women.

We brought forward a review into behaviour management practices at Banksia Hill in response to instability at the facility and national media attention on the Northern Territory's Don Dale Youth Detention Centre. Issues at Don Dale triggered a Royal Commission into youth justice in the Northern Territory, with an estimated budget of over $60m. We initiated and completed a review addressing many similar issues for less than $300,000 and in a much shorter timeframe.

Melaleuca opened in December 2016. It is operated by Sodexo under a contract with the state government. We are not required to inspect it until three years after it opens. However, it is important to ensure new prisons are meeting their objectives. We have therefore already conducted several monitoring visits, and will inspect Melaleuca in November 2017, 12 months after opening. During the inspection we will examine the effectiveness of contract management and the costs of the facility, as well as the contractor's performance.

Budget constraints already make it increasingly difficult for us to meet our statutory responsibilities and to provide advice that reduces risk and maximises opportunities. In future we may:

- be unable to inspect prisons with the same rigour and depth
- have a reduced on-site presence
- be unable to review some high risk services
- not have the capacity to bring forward inspections and reviews to meet Parliament and government expectations.

There is growing national momentum for independent inspections

A number of jurisdictions have recently established, or will be establishing independent Inspectorates modelled on Western Australia:

- The New South Wales Inspector started in 2012.
- Tasmanian legislation passed through Parliament in August 2016 to establish an Inspectorate based in the Ombudsman's office.
- South Australia has recently given its Guardian for Children and Young People an inspection function.
- The Australian Capital Territory, Queensland and Northern Territory have all announced they will establish Inspectorates.

The Inspector and other staff have given support in the establishment of these Offices and the establishment of inspection standards for each jurisdiction.

In February 2017, the Federal Government announced that it intended to ratify the United Nations *Optional Protocol to the Convention Against Torture and Other Cruel, Inhuman or Degrading Treatment or Punishment* (OPCAT) by the end of 2017. OPCAT requires all states and territories, and the Commonwealth, to implement systems of independent oversight for all 'closed places'. These include prisons, youth detention centres, secure mental health facilities, and places of police custody. Our Office is actively involved in national discussions on how Australia will meet its obligations under this protocol.

It is clear that Western Australia is nationally regarded as an example of excellent practice, and one from which other jurisdictions are keen to learn.

In most of this financial year we found it hard to access required information

In the last few months we have experienced a significant improvement in the transparency of the Department. We hope this will continue.

For over two years prior to this, we had experienced problems that hampered our work and caused delays to our Parliamentary reports. We have publicly reported these concerns in numerous reports. The issues included:

- difficulties in accessing detailed, accurate and timely information
- delays in getting responses from the Department
- poor quality responses to draft reports
- inability to access key head office personnel.

This year, the Department also restricted some of our staff accessing data that we needed to meet our legislative responsibilities. Between September 2016 and April 2017, we made numerous verbal and written requests to have access reinstated, but were largely ignored. We were eventually told that access had been restricted in an attempt to make the Department's data holdings more secure. We support having adequate controls but need access to information to fulfil our duties. This should not have been restricted without any consultation. In mid-June access was reinstated. We are now meeting with Department representatives to create a memorandum of understanding (MOU) around data which will give us a more permanent solution.

We have not been alone in our concerns. In recent years, other independent accountability agencies, Parliamentary Committees, and the judiciary have all expressed their own concerns about Departmental accountability and transparency. Departmental credibility was at stake and it needs to achieve a better balance between information control and information sharing.

8. Achievements in 2016-2017

Reviews

We tabled three review reports this year.

Transitional services

Providing support to people in custody to transition back to society should be a key element in reducing the number of people returning to prison. However we found that transition services in WA prisons are under-resourced and not well-targeted. Staffing levels are poorly correlated with demand, and services do not always reach people who are higher risk. Inevitably, when resources are strained, compromises and reductions are made on the services that can be delivered.

We also found access to services is unequal across the state. Some facilities actively promote the service. Others rely on people in custody requesting services, often not knowing if they are aware of its availability. This means that those most in need of help may not know the services exist and cannot access assistance.

Prison capacity

Western Australia's prison population has risen very rapidly over recent years. Two new prisons have opened in the last four years (West Kimberley and Eastern Goldfields Regional Prisons) but the system has largely absorbed the extra numbers by adding bunk beds to single cells, and by adding new accommodation units to existing prisons.

We found that WA's prisons were operating well above their intended capacity. The system as a whole was at 150 per cent of design capacity. Only one prison was at or below capacity, and some prisons were even more crowded.

We also found that too many people were held in cells that fall short of national and international standards. Crowding in prisons had compromised the privacy of people in custody and posed risks to their safety and rehabilitation. In addition, the Department was not complying with national standards when reporting to the Productivity Commission on prison occupancy rates.

Access to funerals and compassionate leave

This was a follow up to a review conducted in 2013. That review had found significant deficiencies in the Department's policies and practices with respect to funeral attendance. It also found deficiencies in financial accountability for this service.

The latest review found the number of people accessing compassionate leave has continued to fall, particularly the number of Aboriginal people accessing such leave. The Department had made almost no progress on recommendations that it had supported in 2013, even those it had stated it was already addressing when responding to the original report. Instead it had further tightened funeral access, especially for Aboriginal people. Revised criteria for access undermined both the recommendations of the Royal Commission into Aboriginal Deaths in Custody and the Department's own Reconciliation Action Plan.

Reviews underway

During 2016-2017 we have also been conducting reviews of:

- behaviour management practices in Banksia Hill
- prisoner access to information and communication technology.

Reports from these reviews will be tabled in 2017-2018.

Inspections

This year, we completed the on-site physical inspection of six custodial facilities:

- Wandoo Reintegration Facility (August 2016)
- Casuarina Prison (October 2016)
- Eastern Goldfields Regional Prison (January 2017)
- Broome Regional Prison (March 2017)
- West Kimberley Regional Prison (March 2017)
- Bandyup Women's Prison (May 2017).

We also tabled six inspection reports.

Report 104: Report of an announced inspection of Acacia Prison

Acacia Prison opened in 2001 as Western Australia's first privately managed prison. Serco is the current operator. During our 2013 inspection, Acacia was in the midst of a $126 million expansion to deliver an additional 387 beds. This took the prison population to 1,395, the largest in WA. Since then, another 75 beds have been added.

Our November 2015 inspection found the expansion had been well-managed in the face of serious risks. Serco had been innovative, committed and responsive, working productively with the Department. Key initiatives included the establishment of a young adults unit and a stronger focus on the needs of long term prisoners and protection prisoners.

One of the justifications for privately operated prisons is that they offer value for money. Acacia is a well-run prison, and the fee paid to the contractor is known. But the Department has not been transparent and accountable for the costs it incurs to manage and support the prison.

Report 105: Report of an announced inspection of Karnet Prison Farm

Our February 2016 inspection of Karnet found that it continued to provide a decent range of education, vocational training and employment opportunities to people in custody.

It was also providing a good rehabilitative environment. The self-care accommodations were a genuine incentive for good behaviour. The visits centre was a positive, pro-social facility. There was good active and passive recreation and reasonable quality food. Facilities for health services and treatment programs were decent and fit for purpose.

The farm continued to be a significant and successful contributor to food production across the prison estate, as well as providing opportunities for training and skilled employment. We commended the staff and people in custody alike for their work and dedication to ensuring consistent delivery.

Report 106: Report of an announced inspection of Roebourne Regional Prison

Our April 2016 inspection of Roebourne found that local management had made some efforts to improve the infrastructure but much of it remained poor. While work had been done through some painting and re-flooring of cells and restructuring bunk beds, the prison was ageing. Significant expenditure was required to upgrade, expand and improve the infrastructure if the prison's lifespan was to be prolonged.

We saw a marked improvement in the education services. Steps had been taken to introduce a richer program of vocational training options. The appointment of several new and experienced vocational support officers greatly assisted this progress. A wider range of short training courses were also on offer in a number of practical areas.

Report 107: Report of an announced inspection of Greenough Regional Prison

In 2016 we found that Greenough was not performing well in many areas. Some important progress had been made for women held at the prison, but there were many other areas where previously identified issues were still a problem. Overall, Greenough's services and conditions needed improvement. Unfortunately, we saw little evidence that the prison's performance was on track to get better.

Staff morale at Greenough was low. They felt unsupported, unappreciated, and unable to meet expectations. While most were still trying to do their best, others were disengaging. The causes of this included: spikes in the prison population, recruitment freezes, reduced budgets, staff shortages, having to lock down people due to staff numbers, and ineffective communication between staff and management.

Positively, immediate steps were taken to improve management/staff relations when we raised this issue, with Head Office providing support to the prison.

Report 108: 2015-16 Inspection of Court Custody Centres

Overall, Serco's performance in providing services for court custody had improved since the previous inspection. Staff culture and morale at sites across the state was greatly improved, and stakeholder relations were generally strong. New facilities at Kalgoorlie, Kununurra and Carnarvon, and a new service at Perth Children's Court had been incorporated successfully into the wider Serco operation. The secure unit at Fiona Stanley Hospital was also operating well as a unique site. The inspection found that people in custody were treated with decency and respect by Serco officers, with appropriate attention paid to their welfare while in custody.

Similarly, G4S had consolidated performance under the District Court Building contract and were delivering services at a high standard. The District Court and Central Law Court custody centres were operating effectively, and G4S officers were managing people in custody well. Relationships with stakeholders had been further strengthened and satisfaction with the service was high.

Governance remained complicated for both contracts, but the relationships between the various parties had matured, and conflicting expectations were less evident. The depletion of monitoring resources across both contracts posed some risks.

Report 109: Report of an announced inspection of Wandoo Reintegration Facility

Our August 2016 inspection concluded that Wandoo had been a success in its own right. But, more than that, it offered some positive lessons for the state's other prisons and the Banksia Hill Detention Centre for juveniles. The decision to target specific services at young men was a good one, and the contractor, Serco, had met or exceeded reasonable expectations. In short, there was no performance reason why Wandoo should not continue to operate along current lines.

Wandoo provided a positive, purposeful, and safe regime, and had performed well across all key measures. It offered new ways of 'doing business' that were relevant to the management of both adult and young people in custody at Banksia Hill Detention Centre, especially in individualised case management.

Upcoming inspections

Section 33(2)(e) of the *Act* requires the Inspector to provide notice via the Annual Report of announced inspections that will be conducted in the next financial year. Inspections proposed for 2017-2018 are:

- Banksia Hill Detention Centre (July 2017)
- Bunbury Regional Prison (September 2017)
- Melaleuca Remand and Rehabilitation Facility (November 2017)
- Albany Regional Prison (February 2018)
- Wooroloo Prison (March 2018)
- Boronia Pre-release Centre for Women (May 2018)

9. Collaboration and relationships

Parliament

The Inspector is accountable to Parliament and tables reports in Parliament directly, not through the Minister. We also send copies of Exit Debriefs to the Legislative Council Standing Committee on Public Administration and provide submissions, evidence and advice to Parliament and its committees on request.

We welcome these opportunities to provide ongoing comment and clarification on correctional issues to Parliament. Well-informed Parliamentarians are a vital safeguard for balanced criminal justice policies and for the rights of both staff and people in custody.

Minister

The Inspector is an independent officer who reports to the Parliament. However, positive engagement between the Inspector and the relevant Minister is also important to maximising the value of the Office. With the change of government, the Honourable Fran Logan MLA became the Minister for Corrective Services on 17 March 2013. Prior to this the Minister was the Honourable Joe Francis MLA.

The Inspector and the Minister have regular scheduled meetings to keep the Minister informed of areas of concern, risk and good performance. Other meetings are held as required between the Inspector and the Deputy Inspector (or other Office staff) and the Minister, the Chief of Staff or relevant policy advisers.

Department of Justice – Corrective Services

As an independent oversight and accountability agency, the Office must operate separately from the Department and must have the power to do so.

The *Act* provides that the Inspector, or any person authorised by the Inspector, must have free and unfettered access to any place of custody, to people in custody, and to staff and management. It also requires free and unfettered access to all documents in the possession of the Department (or a contractor or subcontractor) in relation to a prison, a detention centre, a custodial service, or a person who is, or has been, a prisoner or detainee.

Despite this, over the past two years the Department has sometimes proved reluctant to share information it holds. To try and address this, we revisited the memorandum of understanding (MOU) between our two agencies. In 2012 we drafted a revision to the MOU. We sent this to the Department but never received a formal response. We provided another copy in September 2014 and held a meeting in October 2015. Despite numerous prompts from us, the process stalled. With the recent changes in the Department we anticipate that this will be resolved.

Other departments and agencies

Some of the matters that fall in our jurisdiction involve issues that go beyond the scope of the Department. It is therefore important for us to be able to reach out to all relevant parties. Section 27 of the Act provides the statutory authority to do this.

We also maintain contact with private contractors and other agencies involved in the provision of custodial services to ensure that they understand our role and our expectations. This year, we met formally with such contractors and agencies on a regular basis.

Other collaborations

The Office of the Inspector of Custodial Services is recognised as a leader in the field of best custodial practices and human rights for those in detention, and has been asked to act in a consultative capacity to organisations in other jurisdictions seeking to investigate custodial practices or to establish similar accountability offices.

In 2016-2017 the Inspector and Acting Inspector made numerous presentations. These included:

- Royal Australian & New Zealand College of Psychiatrists Conference (Fremantle, September 2016)
- Publication of co-Authored book, Criminal Law in Myanmar (LexisNexis, 2016)
- Australian & Pacific Conference of Correctional Administrators (Tianjin, China, October 2016)
- OPCAT Roundtable (Canberra, November 2016)
- OPCAT Workshop (Sydney, December 2016)
- Prison Design & Development Summit (Sydney, December 2016)
- Evidence to the Royal Commission into Institutional Responses to Child Sexual Abuse (Sydney, March 2017
- International Committee Red Cross (Dakar, Bangladesh, May 2017)
- Evidence to the Royal Commission into the Protection and Detention of Children in the Northern Territory (June 2017).

10. Other functions

'Show cause' notices

Section 33 of the *Act* gives the Inspector power to issue a 'show cause notice' to the Department if they suspect, on reasonable grounds, that there is a serious risk to the security, control, safety, care or welfare of a prisoner or detainee, or that a person is being subject to cruel, inhuman or degrading treatment.

The effect of the notice is that the Department must 'show cause' why the matter should not be referred to the Minister. This power came into force on 18 January 2012.

Ideally, communication between the Inspector, the Department, and the Minister will be such that matters of risk can be raised and responded to without the need for a show cause notice. This power was used for the first time this year because of the serious nature of an identified risk, and the need for a timely response from the Department. We believed this could not be achieved through other mechanisms.

When the Inspector considers it appropriate, our Annual Report is to include discussion of any show cause notice that has been issued. This must include a summary of any submissions or evidence given in response to the notice.

Grounds of notice issued on 24 February 2017

The notice was triggered by an incident at Banksia Hill Detention Centre on 31 December 2016. The Special Operations Group (SOG) targeted the laser sights of their guns (loaded with bean bags) on three young people who had been involved in damaging part of the Centre, and who remained on the roof. Prior to this, SOG had deployed 'flash bombs' / 'distraction devices'.

SOG's actions were designed to bring an end to the incident where serious damage had been caused. Unfortunately, there were a number of such incidents in 2016-2017, where similar interventions occurred.

Legislation does permit SOG and weapons to be deployed at Banksia Hill. However, when we viewed CCTV footage, it appeared that SOG had deliberately targeted the laser sights of their weapons on the genital area of a boy on the roof. The boy had surrendered, was stationary, and had his hands in the air. We also reviewed incident reports and logs.

Fortunately, nobody was physically hurt. However, under the terms of the *Act*, the laser targeting gave us reasonable grounds to believe the boy had been subjected to degrading treatment. We were also concerned it might have exceeded the limits of necessary and reasonable force, and therefore have constituted an assault.

In addition, we had concerns about poor camera coverage and the poor quality of recordings.

We issued the notice to get the Department's perspective on whether they considered the use of force appropriate, and any actions it intended to take. We required a response by 3 March 2017, and this was provided.

Department's initial response

Initially, the Department saw no need for any further action. In summary, their view was that:

- the use of force was necessary, reasonable and justified
- it did not constitute degrading treatment or an assault
- the period in question was short, and the sights were moving around
- the genital area was not targeted: there was only "a brief uninterrupted three second period where a laser sight is in the general area that could be described as being located near the young person's genitals"
- SOG are highly trained
- SOG complied with the Commissioner's direction that, because of the movement of the boys on the roof, sights were to be set on the lower torsos, not the upper extremities.

We were not persuaded by this response. We were offered access to additional footage and planning documentation, which we received on 21 March 2017. This additional footage increased our concerns, and we followed up with the Department.

Department's second response

The Department commissioned an internal investigation which concluded there had been no misconduct.

Importantly, however, the Department put in place a series of measures to reduce the likelihood of the situation occurring again and also to reduce the use of force. A review of the management of critical incidents at the Centre has also commenced.

We consider that, with these actions, the Department has now appropriately examined the incident for the purposes of our *Act*. Significantly, flash-bombs and laser sights have not been deployed since early May 2017.

However although the internal investigation concluded there was no misconduct, we are not persuaded that the use of force by SOG was necessary and reasonable.

We are also very concerned about the poor quality of visual and audio recording of SOG interventions. In response to our report on Behaviour Management at Banksia Hill (tabled on 17 July 2017), the Department agreed that there should be better quality records, but said it had no budget for this.

Poor recording places staff and people in custody at risk. It also hampers internal investigations, external oversight, and misconduct prevention.

Terrorism (Preventative Detention) Act 2006

Under the *Terrorism (Preventative Detention) Act 2006* the Inspector is required to be notified if any person is detained under this Act and to inspect the conditions of detention. This year, no incidents of detention were noted under this *Act*.

Disclosure of information

We regularly receive letters and telephone calls about prisons and prison services from people in custody, relatives and friends of people in custody, lawyers and other interested parties. Under section 26 of the *Act* we may only deal with a complaint or a grievance received by referring it to another agency or dealing with it in an inspection or review.

PART TWO

Source Reference

FMA sec 61 TI 902	HON FRANCIS (FRAN) MICHAEL LOGAN MLA MINISTER FOR CORRECTIVE SERVICES

In accordance with section 61 of the *Financial Management Act 2006*, the Annual Report of the Office of the Inspector of Custodial Services for the financial year ended 30 June 2017.

The Annual Report has been prepared in accordance with the provisions of the *Financial Management Act 2006* and the *Inspector of Custodial Services Act 2003*.

Neil Morgan
Accountable Authority

17 August 2017

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Operational Structure

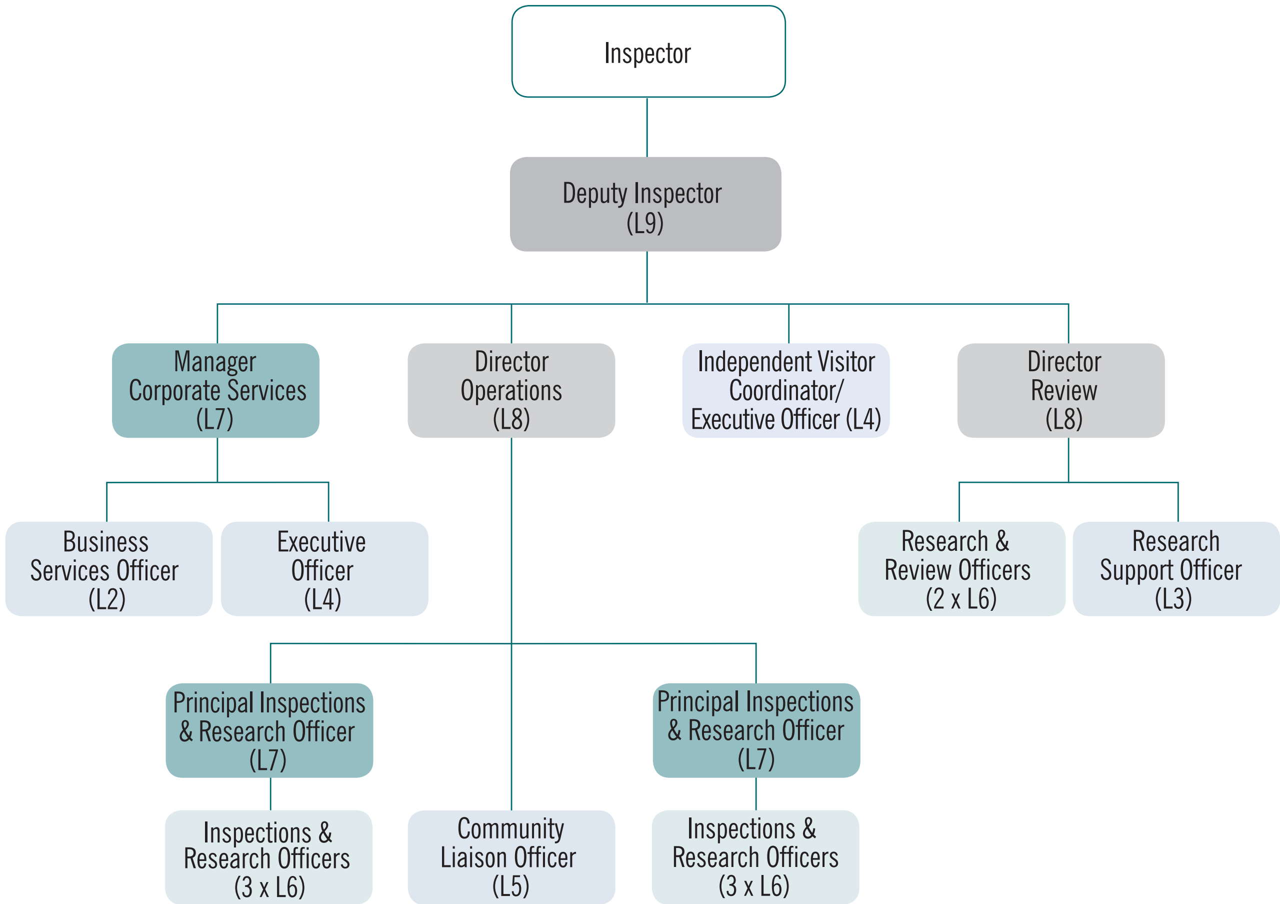
Enabling legislation

The Office was established as a department under the *Public Sector Management Act*, on 1 June 2000.

Responsible Minister

The Hon. Francis (Fran) Michael Logan MLA, Minister for Corrective Services.

Organisational Chart



Senior Officers

Professor Neil Morgan (The Inspector of Custodial Services)

Appointed Inspector on 30 March 2009, Neil Morgan is the second Inspector of Custodial Services in Western Australia, following Professor Richard Harding. He was Professor of Law at the University of Western Australia, a member of the Parole Board of Western Australia, and Director of Research for the Western Australia Law Reform Commission project on Aboriginal Customary law.

He has been Rapporteur for the Asian and Pacific Conference of Correctional Administrators for the past decade and a consultant to numerous government departments and other agencies in Australia. His research has focused mainly on criminal law, sentencing and the administration of sentences in Australia and in the Asia Pacific region. Recent publications include *Criminal Law in Malaysia and Singapore* (with Stanley Yeo and Chan Wing Cheong), LexisNexis, Singapore, 2007: *Criminal Law in Malaysia and Singapore: A Casebook Companion* (with Stanley Yeo and Chan Wing Cheong), LexisNexis, Singapore, 2015 Revised 2nd Edition: and (with Richard Harding) *Implementing the Optional Protocol to the Convention Against Torture: Options for Australia* (2008) – www.hreoc.gov.au/human _ rights/ publications.

Deputy Inspector: Andrew Harvey

Andrew was appointed Deputy Inspector in the Office of the Inspector of Custodial Services on 3 January 2012. Andrew has worked in a diverse range of senior management roles in Commonwealth and State public sector agencies, including as a Senior Manager at the Australian Bureau of Statistics and at the Office of the Auditor General where Andrew led teams managing compliance, control and accountability audits. He also managed the licencing of Western Australia's water, electricity and gas service providers at the Economic Regulation Authority.

Immediately prior to joining the Office Andrew undertook the role of assistant Ombudsman, Complaint Resolution at the WA Ombudsman where he oversaw significant improvements in both the timelines and effectiveness of complaint and investigation handling.

Andrew holds a Bachelor of Arts (Politics and Anthropology) and a Masters in Criminal Justice.

Administered Legislation

The Office is the administering agency for the *Inspector of Custodial Services Act 2003*.

The Office is exempt from the *Freedom of Information Act 1992* and the *Parliamentary Commissioner Act 1971* in accordance with Schedule 2, Clauses 4 and 5 of the *Inspector of Custodial Services Act 2003*.

Other Key Legislation Impacting on the Office's Activities

In the performance of its functions, the Office complies with the following relevant written laws:

Bail Act 1982

Corruption and Crime Commission Act 2003

Court Security and Custodial Services Act 1999

Crime (Serious and Repeat Offenders) Sentencing Act 1992

Criminal Law (Mentally Impaired Defendants) Act 1996

Equal Opportunity Act 1984

Evidence Act 1906

Fines, Penalties and Infringement Notices Enforcement Act 1994

Interpretation Act 1984

Occupational Health and Safety Act 1984

Parole Orders (Transfer) Act 1984

Prisoners (Interstate Transfer) Act 1983

Prisoners (Release for Deportation) Act 1989

Prisons Act 1981

Dangerous Sexual Offenders Act 2006

Disability Services Act 1993

Parliamentary Commissioner Act 1971

Public Sector Management Act 1994

Racial Discrimination Act 1975

Sentence Administration Act 1995

Terrorism (Preventative Detention) Act 2006

Victims of Crime Act 1994

Young Offenders Act 1994

In the financial administration of the Office, we have complied with the requirements of the *Financial Management Act 2006* and every other relevant written law. We have exercised controls which provide reasonable assurance that the receipt and expenditure of money and the acquisition and disposal of public property and incurring of liabilities have been in accordance with legislative provisions.

At the date of signing, the Office is not aware of any circumstances that would render the particulars included in this statement misleading or inaccurate.

Performance Management Framework

Outcome Based Management Framework

Agency level Government desired outcome: The Parliament, Minister and other stakeholders are informed about the performance of custodial services.

Service: Inspection and review of custodial services

Shared Responsibilities with Other Agencies

The Office did not deliver services jointly with any other agency in 2016/17.

Summary of Key Performance Indicators: actual performance compared to budget targets

	2016-17 Target (000's)	2016-17 Actual (000's)	2016-17 Variation (000's)
Key Effectiveness Indicator The extent to which the Department of Justice and, where relevant, other agencies accept recommendations contained in reports.	80%	89%	+9%
Key Efficiency Indicators Average cost per Report Average cost per Independent Visitors' Scheme Report Average cost per Liaison Visit Report	 $200 $2 $10	 $243 $2.5 $9.9	 +$43 +$0.5 -$0.1

Key Performance Indicators

Certification of Key Performance Indicators

I hereby certify that the performance indicators are based on proper records, are relevant and appropriate for assisting users to assess the Office of the Inspector of Custodial Service's performance, and fairly represent the performance of the Office for the financial year ended 30 June 2017.

Neil Morgan
17 August 2017

Detailed Information in Support of Key Performance Indicators

The Office's services are prescribed by the *Office of the Inspector of Custodial Services Act 2003* as functions of the Office. These services are directly related to the Office's desired outcomes, which in turn, are linked to the Strong Communities Responsibility – one of the goals of Government in achieving its strategic outcomes.

The Office reports to two Parliamentary Committees – The Legislative Assembly Community Development and Justice Standing Committee and the Legislative Council Standing Committee on Public Administration. Other Parliamentarians receive briefings as requested.

Measuring Performance

Government Goal

Strong Communities: safe communities and supported families

Desired Outcome

The Parliament, Minister and other stakeholders are informed about the performance of custodial services.

Mission

To establish and maintain an independent, expert and fair inspection service so as to provide Parliament, the Minister, stakeholders, the media, and the general public with up-to-date information and analysis about prison and detention centre operations and custodial services, so that debate and discussion may be enhanced as to whether and to what extent the key objectives of these activities are being achieved.

Service: Inspection and review of custodial services

Inspection and Review of Custodial Services

Key Effectiveness Indicator

The extent to which the Department of Corrective Services ('the Department') and, other agencies accept recommendations contained in Reports.

	Number of Inspection Report Recommendations		Percentage of Recommendations Accepted	
	Target	Actual	Target	Actual
2012-13	90	78	90%	86%
2013-14	100	153	80%	86%
2014-15	100	180	80%	91%
2015-16	100	100	80%	80%
2016-17	150	96	80%	89%

Comparison of Actual Results and Budget Targets

The number of recommendations this year is below target. This is less than anticipated but is consistent with the 2015/16 results. The target of 150 recommendations is set on management's best estimation. This target can vary based on the prisons being inspected in any particular year. At one stage it was thought that the previous year's actuals were setting a new baseline. The variation is also due to the Inspectorate operating on a three year cycle where each prison, juvenile detention centre, court custody centre and prescribed lockup is fully inspected. The number of recommendations generated depends upon how complicated the prisons are being inspected in the year.

Only 11 of the 96 recommendations were not supported. The other recommendations were either supported, supported existing initiative or partially supported. Of the 85 recommendations raised in 2016/17, 66 per cent (2015/16 – 68 per cent) related to new recommendations.

Supported existing initiatives refers to those recommendations that the Department has already identified and action was underway prior to the inspection to address the recommendation. Details of the actions taken are usually provided at a later date. In some instances this is the result of the Department taking action on an issue pointed out during or immediately following an inspection. By the time the inspection report has been finalised the Department has rightly credited its actions in meeting the recommendation.

Key Efficiency Indicators

	Actual 2013-14	Actual 2014-15	Actual 2015-16	Actual 2016/17	Target 2016/17
Report	14	11	10	9	9
Average cost per Report[2] ($)	206,064	193,657	224,393	243,219	200,000
Liaison visit report	101	96	86	102	90
Average cost per liaison visit report ($)	4,826	10,511	11,840	9,868	10,000
Independent visitors' scheme report	177	165	174	162	150
Average cost per independent visitors scheme report ($)	1,328	2,024	1,950	2,463	2,000

Comparison of Actual Results and Budget Targets

Reports: The Inspectorate operates on a three year cycle where each prison, juvenile detention centre, court custody centre and prescribed lockup is fully inspected. This means that some years produce more reports than others. 2016/17 is a year where we have produced less reports than prior year. Consequently, the average cost per report is higher than in previous years. Increased resources are required to deliver the reports as the prison facilities have increased in complexity.

Liaison Visit Reports: The target of 90 liaison visit reports is based on 6 visits occurring at the large and complex prisons (Hakea, Casuarina, Bandyup and Banksia Hill) and 3 visits occurring at the remaining prisons. Each work camp and court custody centre receives at least one visit each year. The frequency of visits may vary according to the assessed risk of each facility. Prior year actuals and the target has been exceeded this year because additional liaison visits were required at Banksia Hill Detention Centre. This is because the Centre has become increasingly unstable.

Independent Visitors' Scheme Reports: The target of 150 independent visitor reports is based on each prison (17) receiving 9 visits annually. The target has been exceeded this year because extra visits occurred at the new Melaleuca Women's Remand Centre and Broome Regional Prison which has recently been declared a fully operational prison again. Overall costs exceeded prior year actuals and target because there are additional travel expenses incurred in visiting regional prisons.

2 The average time taken from the start of an inspection to the production and lodgement of a report in Parliament is between six and nine months depending upon the complexity of the facility or service.

Other Financial Disclosures

Source Reference

Employment and Industrial Relations

Staff Profile

	2015-16	2016-17
Full-time permanent	11	15
Full-time contract	1	2
Part-time measured on an FTE basis	6	2
On secondment	1	
	19	19

Staff Development

The Office is committed to developing its employees. Our strategy is to maintain a highly skilled, professional and fair workforce.

During the year, our employees received customised group training on positive psychology.

Workers' Compensation

There were no workers' compensation claims recorded during the financial year.

Governance Disclosures

Source Reference

TI 903 **Contracts with Senior Officers**

At the date of reporting, other than normal contracts of employment of service, no Senior Officers, or firms of which Senior Officers are members, or entities in which Senior Officers have substantial interest had any interests in existing or proposed contracts with the Office and Senior Officers.

Other Legal Requirements

Source Reference

Public Sector Management Act Section 31(1)

Compliance with *Public Sector Management Act* Section 31(1)

1. In the administration of the Office, I have complied with the Public Sector Standards in Human Resource Management, the Western Australian Public Sector Code of Ethics and our Code of Conduct.

2. I have put in place procedures designed to ensure such compliance and conducted appropriate internal assessments to satisfy myself that the statement made in 1 is correct.

3. The applications made for breach of standards review and the corresponding outcomes for the reporting period are:

Number lodged:	0
Number of breaches found, including details of multiple breaches per application:	0
Number still under review	nil

Neil Morgan
Inspector of Custodial Services
17 August 2017

TI 903

***Electoral Act 1907* section 175ZE**

In compliance with section 175ZE of the *Electoral Act 1907*, the Office is required to report on expenditure incurred during the financial year in relation to advertising agencies, market research organisations, polling organisations, direct mail organisations and media advertising organisations.

Details are as follows:

Expenditure with Advertising Agencies	$0
Expenditure with Market Research Agencies	$0
Expenditure with Polling Agencies	$0
Expenditure with Direct Mail Agencies	$0
Expenditure with Media Advertising Agencies	$0
TOTAL EXPENDITURE	**$0**

Disability Access and Inclusion Plan Outcomes

(*Disability Services Act 1993*, s29)

The Disability Services Act 1993 requires public agencies to develop and implement Disability Access and Inclusion Plans (DAIPs).

This Office has a plan which will guide us until 2018 in maintaining, and where necessary improving our ability to ensure people with disability have the same opportunities as other people to access employment in this Office, communicate with us and access information produced by us. The plan is available on the Office's website.

Recordkeeping Plans

The State Records Commission approved the Office's recordkeeping plan in October 2014 for a period of five years. The Office stores its archival information offsite with the State Government's approved storage contractor.

Occupational Safety and Health

The Office recognises the importance of avoiding hazards by providing a safe, healthy and injury-free work environment, and promoting education and awareness in occupational safety and health when required. To date, the Office has been an injury-free environment.

Management ensures that there is always an open line of communication with staff to discuss occupational safety and health matters. A revised policy on occupational safety and health is available in the Office's Human Resource Manual.

The Office endeavours to comply with all the requirements of the *Workers' Compensation and Injury Management Act 1981* by exercising good management and initiatives both in the Office and on location.

The Inspectorate recruited an officer to advocate potential occupational safety and health issues. The officer is booked on a training course in August 2017. Occupational Safety and Health is a permanent agenda item on the Senior Management Team meetings.

Annual Performance

Performance Indicator	Actual Results		Results Against Target	
	2015-16	2016-17	Target	Comment on Result
Number of fatalities	0	0	0	
Lost time injury/diseases incidence rate	0	0	0	
Lost time injury severity rate	0	0	0	
Percentage of injured workers returned to work: (i) Within 13 weeks (ii) Within 26 weeks	 0 0	 0 0	 0 0	
Percentage of managers trained in occupational safety, health and injury management responsibilities	40%	40%	50%	

Sustainability

The Office supports environmental sustainability and demonstrates this by having its own Sustainability Action Plan. Staff members adhere to sustainability measures wherever possible on a day-to-day basis by exercising the following disciplines:

- Using recycled paper for photocopying and printing;
- Reducing the vehicle fleet from three to two;
- Using recycled printer and toner cartridges; and
- Using sensor lighting in all work areas including meeting rooms.

Corruption Prevention

The risk of corruption and misconduct has been considered and included in the Inspectorate's risk management system.

An induction manual is issued to new staff members, which includes a code of conduct, a code of ethics, conflict of interest guidelines, a checklist of personal commitments required of all employees and a pamphlet by the CCC and the Public Sector Commission on notification of misconduct in Western Australia.

These processes are aimed at ensuring that members of staff are aware of their responsibilities with the primary objective of ensuring that standards are maintained and to encourage improvement.

PART THREE – FINANCIAL STATEMENTS

The accompanying financial statements of the Office of the Inspector of Custodial Services have been prepared in compliance with the provisions of the *Financial Management Act 2006* from proper accounts and records to present fairly the financial transactions for the financial year ending 30 June 2017 and the financial position as at 30 June 2017.

At the date of signing we are not aware of any circumstances which would render any particulars included in the financial statements misleading or inaccurate.

Derek Summers CPA Chief Finance Officer	Professor Neil Morgan Accountable Authority
17 August 2017	17 August 2017

Auditor General

INDEPENDENT AUDITOR'S REPORT

To the Parliament of Western Australia

OFFICE OF THE INSPECTOR OF CUSTODIAL SERVICES

Report on the Financial Statements

Opinion

I have audited the financial statements of the Office of the Inspector of Custodial Services which comprise the Statement of Financial Position as at 30 June 2017, the Statement of Comprehensive Income, Statement of Changes in Equity, Statement of Cash Flows, Schedule of Income and Expenses by Service, Schedule of Assets and Liabilities by Service, and Summary of Consolidated Account Appropriations and Income Estimates for the year then ended, and Notes comprising a summary of significant accounting policies and other explanatory information.

In my opinion, the financial statements are based on proper accounts and present fairly, in all material respects, the operating results and cash flows of the Office of the Inspector of Custodial Services for the year ended 30 June 2017 and the financial position at the end of that period. They are in accordance with Australian Accounting Standards, the *Financial Management Act 2006* and the Treasurer's Instructions.

Basis for Opinion

I conducted my audit in accordance with the Australian Auditing Standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report. I am independent of the Office in accordance with the *Auditor General Act 2006* and the relevant ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to my audit of the financial statements. I have also fulfilled my other ethical responsibilities in accordance with the Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Responsibility of the Inspector of Custodial Services for the Financial Statements

The Inspector of Custodial Services is responsible for keeping proper accounts, and the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards, the *Financial Management Act 2006* and the Treasurer's Instructions, and for such internal control as the Inspector of Custodial Services determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Inspector of Custodial Services is responsible for assessing the agency's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Western Australian Government has made policy or funding decisions affecting the continued existence of the Office.

Auditor's Responsibility for the Audit of the Financial Statements

As required by the *Auditor General Act 2006*, my responsibility is to express an opinion on the financial statements. The objectives of my audit are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists.

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Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Australian Auditing Standards, I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the agency's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Inspector of Custodial Services.
- Conclude on the appropriateness of the Inspector of Custodial Services' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the agency's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with the Inspector of Custodial Services regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

Report on Controls

Opinion
I have undertaken a reasonable assurance engagement on the design and implementation of controls exercised by the Office of the Inspector of Custodial Services. The controls exercised by the Office are those policies and procedures established by the Inspector of Custodial Services to ensure that the receipt, expenditure and investment of money, the acquisition and disposal of property, and the incurring of liabilities have been in accordance with legislative provisions (the overall control objectives).

My opinion has been formed on the basis of the matters outlined in this report.

In my opinion, in all material respects, the controls exercised by the Office of the Inspector of Custodial Services are sufficiently adequate to provide reasonable assurance that the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities have been in accordance with legislative provisions during the year ended 30 June 2017.

The Inspector of Custodial Services' Responsibilities
The Inspector of Custodial Services is responsible for designing, implementing and maintaining controls to ensure that the receipt, expenditure and investment of money, the acquisition and disposal of property, and the incurring of liabilities are in accordance with the *Financial Management Act 2006*, the Treasurer's Instructions and other relevant written law.

Auditor General's Responsibilities
As required by the *Auditor General Act 2006*, my responsibility as an assurance practitioner is to express an opinion on the suitability of the design of the controls to achieve the overall control objectives and the implementation of the controls as designed. I conducted my engagement in accordance with Standard on Assurance Engagements ASAE 3150 *Assurance Engagements on Controls* issued by the Australian Auditing and Assurance Standards Board. That standard requires that I comply with relevant ethical requirements and plan and perform my procedures to obtain reasonable assurance about whether, in all material respects, the controls are suitably designed to achieve the overall control objectives and the controls, necessary to achieve the overall control objectives, were implemented as designed.

An assurance engagement to report on the design and implementation of controls involves performing procedures to obtain evidence about the suitability of the design of controls to achieve the overall control objectives and the implementation of those controls. The procedures selected depend on my judgement, including the assessment of the risks that controls are not suitably designed or implemented as designed. My procedures included testing the implementation of those controls that I consider necessary to achieve the overall control objectives.

I believe that the evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Limitations of Controls
Because of the inherent limitations of any internal control structure it is possible that, even if the controls are suitably designed and implemented as designed, once the controls are in operation, the overall control objectives may not be achieved so that fraud, error, or noncompliance with laws and regulations may occur and not be detected. Any projection of the outcome of the evaluation of the suitability of the design of controls to future periods is subject to the risk that the controls may become unsuitable because of changes in conditions.

Report on the Key Performance Indicators

Opinion
I have undertaken a reasonable assurance engagement on the key performance indicators of the Office of the Inspector of Custodial Services for the year ended 30 June 2017. The key performance indicators are the key effectiveness indicators and the key efficiency indicators that provide performance information about achieving outcomes and delivering services.

In my opinion, in all material respects, the key performance indicators of the Office of the Inspector of Custodial Services are relevant and appropriate to assist users to assess the Office's performance and fairly represent indicated performance for the year ended 30 June 2017.

The Inspector of Custodial Services' Responsibility for the Key Performance Indicators
The Inspector of Custodial Services is responsible for the preparation and fair presentation of the key performance indicators in accordance with the *Financial Management Act 2006* and the Treasurer's Instructions and for such internal control as the Inspector of Custodial Services determines necessary to enable the preparation of key performance indicators that are free from material misstatement, whether due to fraud or error.

In preparing the key performance indicators, the Inspector of Custodial Services is responsible for identifying key performance indicators that are relevant and appropriate having regard to their purpose in accordance with Treasurer's Instruction 904 *Key Performance Indicators*.

Auditor General's Responsibility
As required by the *Auditor General Act 2006*, my responsibility as an assurance practitioner is to express an opinion on the key performance indicators. The objectives of my engagement are to obtain reasonable assurance about whether the key performance indicators are relevant and appropriate to assist users to assess the agency's performance and whether the key performance indicators are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion.

I conducted my engagement in accordance with Standard on Assurance Engagements ASAE 3000 *Assurance Engagements Other than Audits or Reviews of Historical Financial Information* issued by the Australian Auditing and Assurance Standards Board. That standard requires that I comply with relevant ethical requirements relating to assurance engagements.

An assurance engagement involves performing procedures to obtain evidence about the amounts and disclosures in the key performance indicators. It also involves evaluating the relevance and appropriateness of the key performance indicators against the criteria and guidance in Treasurer's Instruction 904 for measuring the extent of outcome achievement and the efficiency of service delivery. The procedures selected depend on my judgement, including the assessment of the risks of material misstatement of the key performance indicators. In making these risk assessments I obtain an understanding of internal control relevant to the engagement in order to design procedures that are appropriate in the circumstances.

I believe that the evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

My Independence and Quality Control Relating to the Reports on Controls and Key Performance Indicators

I have complied with the independence requirements of the *Auditor General Act 2006* and the relevant ethical requirements relating to assurance engagements. In accordance with ASQC 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Reports and Other Financial Information, and Other Assurance Engagements*, the Office of the Auditor General maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Matters Relating to the Electronic Publication of the Audited Financial Statements and Key Performance Indicators

This auditor's report relates to the financial statements and key performance indicators of the Office of the Inspector of Custodial Services for the year ended 30 June 2017 included on the Office's website. The Office's management is responsible for the integrity of the Office's website. This audit does not provide assurance on the integrity of the Office's website. The auditor's report refers only to the financial statements and key performance indicators described above. It does not provide an opinion on any other information which may have been hyperlinked to/from these financial statements or key performance indicators. If users of the financial statements and key performance indicators are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited financial statements and key performance indicators to confirm the information contained in this website version of the financial statements and key performance indicators.

DON CUNNINGHAME
ACTING DEPUTY AUDITOR GENERAL
Delegate of the Auditor General for Western Australia
Perth, Western Australia
17 August 2017

Statement of Comprehensive Income for the year ended 30 June 2017

	Notes	**2017** **$**	**2016** **$**
COST OF SERVICES			
Expenses			
Employee benefits expense	6	2,418,936	2,466,901
Supplies and services	7	810,516	787,270
Depreciation and amortisation expense	8	2,388	3,543
Accommodation expenses	9	311,675	299,351
Other expenses	10	51,063	44,400
Total Cost of Services		3,594,578	3,601,465
Income			
Revenue			
Other revenue	11	8,608	7,722
Total Revenue		8,608	7,722
Total Income other than Income from State Government		8,608	7,722
NET COST OF SERVICES		3,585,970	3,593,743
Income from State Government			
Service appropriation	12(a)	3,617,000	3,570,000
Services received free of charge	12(b)	88,053	96,876
Total Income from State Government		3,705,053	3,666,876
SURPLUS FOR THE PERIOD		119,083	73,133
OTHER COMPREHENSIVE INCOME			
Items not reclassified subsequently to profit or loss			
Total other comprehensive income		-	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		119,083	73,133

The Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

Statement of Financial Position as at 30 June 2017

	Notes	2017 $	2016 $
ASSETS			
Current Assets			
Cash and cash equivalents	22	459,963	363,665
Receivables	14	43,342	40,896
Amounts receivable for services	15	26,000	26,000
Other current assets	16	31,894	49,786
Total Current Assets		561,199	480,347
Non-Current Assets			
Restricted cash and cash equivalents	13	7,000	-
Amounts receivable for services	15	179,000	177,000
Plant and equipment	17	31,633	34,021
Total Non-Current Assets		217,633	211,021
TOTAL ASSETS		778,832	691,368
LIABILITIES			
Current Liabilities			
Payables	19	149,571	147,000
Provisions	20	506,448	519,687
Total Current Liabilities		656,019	666,687
Non-Current Liabilities			
Provisions	20	142,335	163,286
Total Non-Current Liabilities		142,335	163,286
TOTAL LIABILITIES		798,354	829,973
NET ASSETS/(LIABILITIES)		(19,522)	(138,605)
EQUITY			
Contributed equity	21	274,000	274,000
Accumulated surplus/(deficit)		(293,522)	(412,605)
TOTAL EQUITY/(DEFICIT)		(19,522)	(138,605)

The Statement of Financial Position should be read in conjunction with the accompanying notes.

Statement of Changes in Equity for the year ended 30 June 2017

	Contributed Equity $	Accumulated Surplus/ (Deficit) $	Total Equity/ (Deficit) $
Balance at 1 July 2015	274,000	(485,738)	(211,738)
Surplus/(deficit)	-	73,133	73,133
Total comprehensive income for the period	**-**	**73,133**	**73,133**
Transactions with owners in their capacity as owners:			
- Capital contributions	-	-	-
Total	-	-	-
Balance at 30 June 2016	**274,000**	**(412,605)**	**(138,605)**
Balance at 1 July 2016	274,000	(412,605)	(138,605)
Surplus/(deficit)	-	119,083	119,083
Total comprehensive income for the period	**-**	**119,083**	**119,083**
Transactions with owners in their capacity as owners:			
- Capital contributions	-	-	-
Total	-	-	-
Balance at 30 June 2017	**274,000**	**(293,522)**	**(19,522)**

The Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Statement of Cash Flows for the year ended 30 June 2017

	Notes	2017 $	2016 $
CASH FLOWS FROM STATE GOVERNMENT			
Service appropriations		3,589,000	3,542,000
Holding account drawdowns		26,000	26,000
Net cash provided by State Government		3,615,000	3,568,000
Utilised as follows:			
CASH FLOWS FROM OPERATION ACTIVITIES			
Payments			
Employee benefits		(2,445,500)	(2,434,816)
Supplies and services		(709,687)	(742,242)
Accommodation		(311,989)	(299,666)
GST payments on purchases		(104,522)	(114,956)
Other payments		(51,062)	(44,400)
Receipts			
GST receipts on sales		136	10,542
GST receipts from taxation authority		102,314	116,181
Other receipts		8,608	7,722
Net cash provided by/(used in) operating activities	22	(3,511,702)	(3,501,635)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments			
Purchase of non-current physical assets		-	(27,718)
Net cash provided used in investing activities		-	(27,718)
Net increase/(decrease) in cash and cash equivalents		103,298	38,647
Cash and cash equivalents at the beginning of the period		363,665	325,018
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	22	466,963	363,665

The Statement of Cash Flows should be read in conjunction with the accompanying notes.

Summary of Consolidated Account Appropriations and Income Estimates for the year ended 30 June 2017

	2017 Estimate $	2017 Actual $	Variance $	2017 Actual $	2016 Actual $	Variance $
Delivery of Services						
Item 107 net amount appropriated to deliver services	3,370,000	3,370,000	-	3,370,000	3,323,000	47,000
Amount Authorised by Other Statutes						
Salaries and Allowances Act 1975	247,000	247,000	-	247,000	247,000	-
Total Appropriations Provided to Deliver Services	3,617,000	3,617,000	-	3,617,000	3,570,000	47,000
Capital						
Capital appropriations	-	-	-	-	-	-
GRAND TOTAL	3,617,000	3,617,000	-	3,617,000	3,570,000	47,000
Details of Expenses by Services						
Inspection and review of custodial services	3,622,000	3,594,578	(27,422)	3,594,578	3,601,465	(6,887)
Total cost of services	3,622,000	3,594,578	(27,422)	3,594,578	3,601,465	(6,887)
Less: Total Income	(5,000)	(8,608)	(3,608)	(8,608)	(7,722)	(886)
Net Cost of Services	3,617,000	3,585,970	(31,030)	3,585,970	3,593,743	(7,773)
Adjustments	-	31,030	31,030	31,030	(23,743)	54,773
Total Appropriations Provided to Deliver Services	3,617,000	3,617,000	-	3,617,000	3,570,000	47,000
Capital Expenditure						
Purchase of non-current physical assets	26,000	-	(26,000)	-	27,718	(27,718)
Adjustments for other funding sources	(26,000)	-	26,000	-	(27,718)	27,718
Capital Appropriations	-	-	-	-	-	-

Adjustments comprise movements in cash balances, other accrual items such as receivables, payables and superannuation, and services received free of charge.
Note 26 'Explanatory Statement' provides details of any significant variations between estimates and actual results for 2017 and between the actual results for 2017 and 2016.

Notes to the Financial Statements for the year ended 30 June 2017

1. AUSTRALIAN ACCOUNTING STANDARDS

General

The Office's financial statements for the year ended 30 June 2017 have been prepared in accordance with Australian Accounting Standards. The term 'Australian Accounting Standards' includes Standards and Interpretations issued by the Australian Accounting Standards Board (AASB).

The Office has adopted any applicable new and revised Australian Accounting Standards from their operative dates.

Early Adoption of Standards

The Office cannot early adopt an Australian Accounting Standard unless specifically permitted by TI 1101 *Application of Australian Accounting Standards and Other Pronouncements*. There has been no early adoption of Australian Accounting Standards that have been issued or amended (but not operative) by the Office for the annual reporting period ended 30 June 2017.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) General Statement

The Office is a not-for-profit reporting entity that prepares general purpose financial statements in accordance with Australian Accounting Standards, the Framework, Statements of Accounting Concepts and other authoritative pronouncements of the AASB as applied by the Treasurer's instructions. Several of these are modified by the Treasurer's instructions to vary application, disclosure, format and wording.

The Financial Management Act 2006 and the Treasurer's instructions impose legislative provisions that govern the preparation of financial statements and take precedence over Australian Accounting Standards, the Framework, Statements of Accounting Concepts and other authoritative pronouncements of the AASB.

Where modification is required and has had a material or significant financial effect upon the reported results, details of that modification and the resulting financial effect are disclosed in the notes to the financial statements.

(b) Basis of Preparation

The financial statements have been prepared on the accrual basis of accounting using the historical cost convention.

The accounting policies adopted in the preparation of the financial statements have been consistently applied throughout all periods presented unless otherwise stated.

The financial statements are presented in Australian dollars and all values are rounded to the nearest dollar.

Note 3 'Judgements Made by Management in Applying Accounting Policies' discloses judgements that have been made in the process of applying the Office's accounting policies resulting in the most significant effect on amounts recognised in the financial statements.

Note 4 'Key Sources of Estimation Uncertainty' discloses key assumptions made concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next reporting period.

(c) Reporting Entity

The Office of the Inspector of Custodial Services is the reporting entity.

Mission

The Office's mission is to establish and maintain an independent, expert and fair inspection service so as to provide Parliament, the Minister, stakeholders, the media, and the general public with up-to-date information and analysis about prison and detention centre operations and custodial services, so that debate and discussion may be enhanced as to whether and to what extent the key objectives of these activities are being achieved.

The Office is predominantly funded by Parliamentary appropriations.

Service

The Office provides only one service which relates to inspection and review of custodial services. Hence, both the "Schedule of Income and Expenses by Service" and "Schedule of Assets and Liabilities by Service" have not been presented in the financial statements for the year ended 30 June 2017.

(d) Contributed Equity

AASB Interpretation 1038 Contributions by Owners Made to Wholly-Owned Public Sector Entities requires transfers in the nature of equity contributions, other than as a result of a restructure of administrative arrangements, to be designated by the Government (the owner) as contributions by owners (at the time of, or prior to transfer) before such transfers can be recognised as equity contributions. Capital appropriations have been designated as contributions by owners by TI 955 Contributions by Owners made to Wholly Owned Public Sector Entities and have been credited directly to Contributed equity.

(e) Income

Revenue Recognition

Revenue is recognised and measured at the fair value of consideration received or receivable. Revenue is recognised for the major business activities as follows:

Service Appropriations

Service Appropriations are recognised as revenues at fair value in the period in which the Office gains control of the appropriated funds. The Office gains control of appropriated funds at the time those funds are deposited to the bank account or credited to the 'Amounts Receivable for Services' (Holding Account) held at Treasury.

Net Appropriation Determination

The Treasurer may make a determination providing for prescribed receipts to be retained for services under the control of the Office. In accordance with the determination specified in the 2016-2017 Budget Statements, the Office retained $8,608 in 2017 ($7,722 in 2016) from the following:

Gains

Realised or unrealised gains are usually recognised on a net basis. These include gains arising on the disposal of non-current assets.

(f) Plant and Equipment

Capitalisation/Expensing of Assets

Items of plant and equipment costing $5,000 or more are recognised as assets and the cost of utilising assets is expensed (depreciated) over their useful lives. Items of plant and equipment costing less than $5,000 are immediately expensed direct to the Statement of Comprehensive Income.

Initial Recognition and Measurement

All items of plant and equipment are initially recognised at cost.

For items of plant and equipment acquired at no cost or for nominal cost, the cost is the fair value at the date of acquisition.

Subsequent Measurement

Subsequent to initial recognition as an asset, the historical cost model is used for plant and equipment. All items of plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses.

Depreciation

All non-current assets having a limited useful life are systematically depreciated over their estimated useful lives in a manner that reflects the consumption of their future economic benefits.

Depreciation is calculated using the straight line method, using rates which are reviewed annually. Estimated useful lives for each class of depreciable asset are:

Communications	5 Years
Computer Hardware	3 Years
Leasehold Improvements	7 Years
Office Equipment	5 Years

(g) Intangible Assets

Capitalisation/Expensing of Assets

Acquisitions of intangible assets costing $5,000 or more are capitalised. The cost of utilising the assets is expensed (amortised) over their useful life. Costs incurred below these thresholds are immediately expensed directly to the Statement of Comprehensive Income.

Intangible assets are initially recognised at cost. For assets acquired at no cost or for nominal cost, the cost is their fair value at the date of acquisition.

The cost model is applied for subsequent measurement requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses.

Amortisation for intangible assets with finite useful lives is calculated for the period of the expected benefit (estimated useful life which is reviewed annually) on the straight line basis. All intangible assets controlled by the Office have a finite useful life and zero residual value.

The expected useful lives for each class of intangible asset are:

Computer Software	3 Years

Computer Software

Software that is an integral part of the related hardware is recognised as plant and equipment. Software that is not an integral part of the related hardware is recognised as an intangible asset. Software costing less than $5,000 is expensed in the year of acquisition.

(h) Impairment of Assets

Plant and equipment assets are tested for any indication of impairment at the end of each reporting period. Where there is an indication of impairment, the recoverable amount is estimated. Where the recoverable amount is less than the carrying amount, the asset is considered impaired and is written down to the recoverable amount and an impairment loss is recognised. As the Office is a not-for-profit entity, unless an asset has been identified as a surplus asset, the recoverable amount is the higher of an asset's fair value less costs to sell and depreciated replacement cost.

The risk of impairment is generally limited to circumstances where an asset's depreciation is materially understated, where the replacement cost is falling or where there is a significant change in useful life. Each relevant class of assets is reviewed annually to verify that the accumulated depreciation/ amortisation reflects the level of consumption or expiration of asset's future economic benefits and to evaluate any impairment risk from falling replacement costs.

Intangible assets not yet available for use are tested for impairment at the end of each reporting period irrespective of whether there is any indication of impairment.

(i) Leases

The Office has not entered into any finance leases.

The Office holds operating leases for office accommodation and motor vehicles. Lease payments are expensed on a straight line basis over the lease term as this represents the pattern of benefits derived from the leased properties.

(j) Financial Instruments

In addition to cash, the Office has two categories of financial instruments:

Receivables; and,

Financial liabilities measured at amortised cost.

Financial instruments have been disaggregated into the following classes:

- Financial Assets
  - Cash and cash equivalents
  - Restricted cash and cash equivalents
  - Receivables
  - Amounts receivable for services

- Financial Liabilities
  - Payables

Initial recognition and measurement of financial instruments is at fair value which normally equates to the transaction cost or the face value. Subsequent measurement is at amortised cost using the effective interest method.

The fair value of short-term receivables and payables is the transaction cost or the face value because there is no interest rate applicable and subsequent measurement is not required as the effect of discounting is not material.

(k) Cash and Cash Equivalents

For the purpose of the Statement of Cash Flows, cash and cash equivalent (and restricted cash and cash equivalent) assets comprise cash on hand and short-term deposits with original maturities of three months or less that are readily convertible to a known amount of cash and which are subject to insignificant risk of changes in value.

(l) Accrued Salaries

Accrued salaries (see Note 19) represent the amount due to staff but unpaid at the end of the reporting period. Accrued salaries are settled within a fortnight of the reporting period end. The Office considers the carrying amount of accrued salaries to be equivalent to its fair value.

The accrued salaries suspense account consists of amounts paid annually into a suspense account over a period of 10 financial years to largely meet the additional cash outflow in each eleventh year when 27 pay days occur instead of the normal 26. No interest is received on this account.

(m) Amounts Receivable for Services (Holding Account)

The Office receives funding on an accrual basis. The appropriations are paid partly in cash and partly as an asset (holding account receivable). The accrued amount receivable is accessible on the emergence of the cash funding requirement to cover leave entitlements and asset replacement.

(n) Receivables

Receivables are recognised at original invoice amount less an allowance for any uncollectible amounts (i.e. impairment). The collectability of receivables is reviewed on an ongoing basis and any receivables identified as uncollectible are written-off against the allowance account. The allowance for uncollectible amounts (doubtful debts) is raised when there is objective evidence that the Office will not be able to collect the debts. The carrying amount is equivalent to fair value as it is due for settlement within 30 days.

(o) Payables

Payables are recognised at the amounts payable when the Office becomes obliged to make future payments as a result of a purchase of assets or services. The carrying amount is equivalent to fair value, as settlement is generally within 30 days.

(p) Provisions

Provisions are liabilities of uncertain timing or amount and are recognised where there is a present legal or constructive obligation as a result of a past event and when the outflow of resources embodying economic benefits is probable and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at the end of each reporting period.

Provisions – Employee Benefits

All annual leave and long service leave provisions are in respect of employees' services up to the end of the reporting period.

Annual Leave

Annual leave is not expected to be settled wholly within 12 months after the end of the reporting period and is therefore considered to be "other long term employee benefits". The annual leave liability is recognised and measured at the present value of amounts expected to be paid when the liabilities are settled using the remuneration rate expected to apply at the time of settlement.

(p) Provisions (Continued)

When assessing expected future payments consideration is given to expected future wage and salary levels including non-salary components such as employer superannuation contributions, as well as the experience of employee departures and periods of service. The expected future payments are discounted using market yields at the end of the reporting period on national government bonds with terms to maturity that match, as closely as possible, the estimated future cash outflows.

The provision for annual leave is classified as a current liability as the Office does not have an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

Long Service Leave

The liability for long service leave that is expected to be settled within 12 months after the end of the reporting period is recognised and measured at the undiscounted amounts expected to be paid when the liability is settled.

Long service leave that is not expected to be settled within 12 months after the end of the reporting period is recognised and measured at the present value of amounts expected to be paid when the liabilities are settled using the remuneration rate expected to apply at the time of settlement.

When assessing expected future payments consideration is given to expected future wage and salary levels including non-salary components such as employer superannuation contributions, as well as the experience of employee departures and periods of service. The expected future payments are discounted using market yields at the end of the reporting period on national government bonds with terms to maturity that match, as closely as possible, the estimated future cash outflows.

Unconditional long service leave provisions are classified as current liabilities as the Office does not have an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period. Pre-conditional and conditional long service leave provisions are classified as noncurrent liabilities because the Office has an unconditional right to defer the settlement of the liability until the employee has completed the requisite years of service.

Purchased Leave

The provision for purchased leave relates to Public Service employees who have entered into an agreement to self-fund up to an additional ten weeks leave per calendar year. The provision recognises the value of salary set aside for employees and is measured at the nominal amounts expected to be paid when the liabilities are settled. The liability is measured on the same basis as annual leave.

Superannuation

The Government Employees Superannuation Board (GESB) and other funds administers public sector superannuation arrangements in Western Australia in accordance with legislative requirements. Eligibility criteria for membership in particular schemes for public sector employees varies according to commencement and implementation dates.

Eligible employees contribute to the Pension Scheme, a defined benefit pension scheme closed to new members since 1987, or the Gold State Superannuation Scheme (GSS), a defined benefit lump sum scheme closed to new members since 1995.

(p) Provisions (Continued)

Employees commencing employment prior to 16 April 2007 who were not members of either the Pension Scheme or the GSS became non-contributory members of the West State Superannuation Scheme (WSS). Employees commencing employment on or after 16 April 2007 became members of the GESB Super Scheme (GESBS). From 30 March 2013, existing members of the WSS or GESBS and new employees become able to choose their preferred superannuation fund. The Office makes concurrent contributions to GESB or other funds on behalf of employees in compliance with the Commonwealth Government's Superannuation Guarantee (Administration) Act 1992. Contributions to these accumulation schemes extinguish the Office's liability from superannuation charges in respect of employees who are not members of the Pension Scheme of GSS.

The GSS is a defined benefit scheme for the purposes of employees and whole-of-government reporting. However, it is a defined contribution plan for agency purposes because the concurrent contributions (defined contributions) made by the Office to GESB extinguishes the Office's obligations to the relation superannuation liability.

The Office has no liabilities under the Pension Scheme or the GSS. The liabilities for the unfunded Pension Scheme and the unfunded GSS transfer benefits attributable to members who transferred from the Pension Scheme, are assumed by the Treasurer. All other GSS obligations are funded by concurrent contributions made by the Office to the GESB. The concurrently funded part of the GSS is a defined contribution scheme as these contributions extinguish all liabilities in respect of the concurrently funded GSS obligations.

The GESB makes all benefit payments in respect of the Pension Scheme and GSS, and is recouped form the Treasurer for the employer's share.

Provisions – Other

Employment On-Costs

Employment on-costs, including workers' compensation insurance, are not employee benefits and are recognised separately as liabilities and expenses when the employment to which they relate has occurred. Employment on-costs are included as part of 'Other Expenses' and are not included as part of the Office's 'Employee Benefits Expense'. The related liability is included in 'Employment On-Costs Provision'.

(q) Superannuation Expense

Superannuation expense is recognised in the profit or loss of the Statement of Comprehensive Income and comprises employer contributions paid to the GSS (concurrent contributions), the WSS, the GESBS, or other superannuation funds. The employer contribution paid to the GESB in respect of the GSS is paid back into the Consolidated Account by the GESB.

(r) Assets or Services Received Free of Charge or for Nominal Cost

Assets or services received free of charge or for nominal cost that the Office would otherwise purchase if not donated, are recognised as income at the fair value of the assets or services where they can be reliably measured. A corresponding expense is recognised for services received. Receipts of assets are recognised in the Statement of Financial Position.

Assets or services received from other State Government agencies are separately disclosed under Income from State Government in the Statement of Comprehensive Income.

(s) Comparative Figures

Comparative figures are, where appropriate, reclassified to be comparable with the figures presented in the current reporting period.

3. JUDGEMENTS MADE BY MANAGEMENT IN APPLYING ACCOUNTING POLICIES

The preparation of financial statements requires management to make judgements about the application of accounting policies that have a significant effect on the amounts recognised in the financial statements. The Office evaluates these judgements regularly.

Operating Lease Commitments

The Office has entered into a lease for a building used for office accommodation and separate leases for three motor vehicles. In each instance, the lessor retains substantially all the risks and rewards incidental to ownership. Accordingly, these leases have been classified as operating leases.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

Key estimates and assumptions concerning the future are based on historical experience and various other factors that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next reporting period.

Long Service Leave

Several estimations and assumptions used in calculating the Office's long service leave provision include expected future salary rates, discount rates, employee retention rates and expected future payments. Changes in these estimations and assumptions may impact on the carrying amount of the long service leave provision.

5. DISCLOSURE OF CHANGES IN ACCOUNTING POLICY AND ESTIMATES

Initial Application of an Australian Accounting Standard

The Office has applied the following Australian Accounting Standards effective, or adopted, for annual reporting periods beginning on or after 1 July 2016 that impacted on the Office.

AASB 1057 *Application of Australian Accounting Standards*

This Standard lists the application paragraphs for each other Standard (and Interpretation), grouped where they are the same. There is no financial impact.

AASB 2014-4 *Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation [AASB 116 & 138]*

The adoption of this Standard has no financial impact for the Office as depreciation and amortisation is not determined by reference to revenue generation, but by reference to consumption of future economic benefits.

AASB 2015-1 *Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 20122014 Cycle [AASB 1, 2, 3, 5, 7, 11, 110, 119, 121, 133, 134, 137 & 140]*

These amendments arise from the issuance of International Financial Reporting Standard Annual Improvements to IFRSs 20122014 Cycle in September 2014, and editorial corrections. The Office has determined that the application of the Standard has no financial impact.

AASB 2015-2 *Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101 [AASB 7, 101, 134 & 1049]*

This Standard amends AASB 101 to provide clarification regarding the disclosure requirements in AASB 101. Specifically, the Standard proposes narrow-focus amendments to address some of the concerns expressed about existing presentation and disclosure requirements and to ensure entities are able to use judgement when applying a Standard in determining what information to disclose in their financial statements. There is no financial impact.

AASB 2015-6 *Amendments to Australian Accounting Standards – Extending Related Party Disclosures to Not-for-Profit Public Sector Entities [AASB 10, 124 & 1049]*

The amendments extend the scope of AASB124 to include application by not-for-profit public sector entities. Implementation guidance is included to assist application of the Standard by not-for-profit public sector entities. There is no financial impact.

AASB 2015-10 *Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 & 128*

This Standard defers the mandatory effective date (application date) of amendments to AASB 10 & AASB 128 that were originally made in AASB 201410 so that the amendments are required to be applied for annual reporting periods beginning on or after 1 January 2018 instead of 1 January 2016. There is no financial impact.

Voluntary Changes in Accounting Policy

There are no voluntary changes in accounting policy which has been adopted by the Office.

Future Impact of Australian Accounting Standards Not Yet Operative

The Office cannot early adopt an Australian Accounting Standard unless specifically permitted by TI 1101 Application of Australian Accounting Standards and Other Pronouncements or by an exemption from TI 1101. By virtue of a limited exemption, the Office has early adopted AASB 20157 Amendments to Australian Accounting Standards – Fair Value Disclosures of Not-for-Profit Public Sector Entities. Where applicable, the Office plans to apply the following Australian Accounting Standards from their application date.

		Operative for Reporting Periods Beginning On/ After
AASB 9	*Financial Instruments* This Standard supersedes AASB 139 Financial Instruments: Recognition and Measurement, introducing a number of changes to accounting treatments. The mandatory application date of this Standard is currently 1 January 2018 after being amended by AASB 20126, AASB 2013-9, and AASB 20141 Amendments to Australian Accounting Standards. The Office has not yet determined the application or the potential impact of the Standard.	1 January 2018
AASB 15	*Revenue from Contracts with Customers* This Standard establishes the principles that the Office shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer. The Office's income is principally derived from appropriations which will be measured under AASB 1058 Income of Not-for-Profit Entities and will be unaffected by this change. The Office receives little to no revenue from user charges and fees, and sales revenues. Accordingly, the standard is not expected to have any effect on the Office.	1 January 2019

		Operative for Reporting Periods Beginning On/ After
AASB 16	*Leases* This Standard introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Whilst the impact of AASB 16 has not yet been quantified, the entity currently has operating lease commitments for $650,541 (see Note 23). The Office anticipates most of this amount will be brought onto the statement of financial position, excepting amounts pertinent to shortterm or low value leases. Interest and amortisation expense will increase, and rental expense will decrease.	1 January 2019
AASB 1058	*Income of Not-for-Profit Entities* This Standard clarifies and simplifies the income recognition requirements that apply to not-for-profit (NFP) entities, more closely reflecting the economic reality of NFP entity transactions that are not contracts with customers. Timing of income recognition is dependent on whether such a transaction gives rise to a liability, or a performance obligation (a promise to transfer a good or service), or, an obligation to acquire an asset. The Office has not yet determined the application or the potential impact of the Standard.	1 January 2019
AASB 2010-7	*Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023 & 1038 and Int 2, 5, 10, 12, 19 & 127]* This Standard makes consequential amendments to other Australian Accounting Standards and Interpretations as a result of issuing AASB 9 in December 2010. The mandatory application date of this Standard has been amended by AASB 20126 and AASB 20141 to 1 January 2018. The Office has not yet determined the application or the potential impact of the Standard.	1 January 2018
AASB 2014-1	*Amendments to Australian Accounting Standards* Part E of this Standard makes amendments to AASB 9 and consequential amendments to other Standards. It has not yet been assessed by the Office to determine the application or potential impact of the Standard.	1 January 2018

5. DISCLOSURE OF CHANGES IN ACCOUNTING POLICY AND ESTIMATES (contd)

		Operative for Reporting Periods Beginning On/After
AASB 2014-5	*Amendments to Australian Accounting Standards arising from AASB 15* This Standard gives effect to the consequential amendments to Australian Accounting Standards (including Interpretations) arising from the issuance of AASB 15. The Office has not yet determined the application or the potential impact of the Standard.	1 January 2018
AASB 2014-7	*Amendments to Australian Accounting Standards arising from AASB 9 (December 2014)* This Standard gives effect to the consequential amendments to Australian Accounting Standards (including Interpretations) arising from the issuance of AASB 9 (December 2014). The Office has not yet determined the application or the potential impact of the Standard.	1 January 2018
AASB 2015-8	*Amendments to Australian Accounting Standards – Effective Date of AASB 15* This Standard amends the mandatory effective date (application date) of AASB 15 Revenue from Contracts with Customers so that AASB 15 is required to be applied for annual reporting periods beginning on or after 1 January 2018 instead of 1 January 2017. For not-for-profit entities, the mandatory effective date has subsequently been amended to 1 January 2019 by AASB 20167. The Office has not yet determined the application or the potential impact of AASB 15.	1 January 2019
AASB 2016-2	*Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107* This Standard amends AASB 107 Statement of Cash Flows (August 2015) to require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. There is no financial impact.	1 January 2017
AASB 2016-3	*Amendments to Australian Accounting Standards – Clarifications to AASB 15* This Standard clarifies identifying performance obligations, principal versus agent considerations, timing of recognising revenue from granting a licence, and, provides further transitional provisions to AASB 15. The Office has not yet determined the application or the potential impact.	1 January 2018

		Operative for Reporting Periods Beginning On/ After
AASB 2016-4	*Amendments to Australian Accounting Standards – Recoverable Amount of Non-Cash-Generating Specialised Assets of Not-for-Profit Entities* This Standard clarifies that the recoverable amount of primarily non-cash-generating assets of not-for-profit entities, which are typically specialised in nature and held for continuing use of their service capacity, is expected to be materially the same as fair value determined under AASB 13 Fair Value Measurement. The Office has not yet determined the application or the potential impact.	1 January 2017
AASB 2016-7	*Amendments to Australian Accounting Standards – Deferral of AASB 15 for Not-for-Profit Entities* This Standard amends the mandatory effective date (application date) of AASB 15 and defers the consequential amendments that were originally set out in AASB 20145 Amendments to Australian Accounting Standards arising from AASB 15 for not-for-profit entities to annual reporting periods beginning on or after 1 January 2019, instead of 1 January 2018. There is no financial impact	1 January 2017
AASB 2016-8	*Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not-for-Profit Entities* This Standard inserts Australian requirements and authoritative implementation guidance for notforprofit entities into AASB 9 and AASB 15. This guidance assists not-for-profit entities in applying those Standards to particular transactions and other events. There is no financial impact.	1 January 2019
AASB 2017-2	*Amendments to Australian Accounting Standards – Further Annual Improvements 20142016 Cycle* This Standard clarifies the scope of AASB 12 by specifying that the disclosure requirements apply to an entity's interests in other entities that are classified as held for sale, held for distribution to owners in their capacity as owners or discontinued operations in accordance with AASB 5. There is no financial impact.	1 January 2017

Changes in Accounting Estimates

There were no changes in accounting estimates that will have an effect on the current reporting period.

6. EMPLOYEE BENEFITS EXPENSE

		2017 $	2016 $
Wages and salaries	(a), (c)	2,147,685	2,187,536
Superannuation – defined contribution plans	(b), (c)	229,623	221,979
Other related expenses		41,628	57,386
		2,418,936	2,466,901

(a) Includes the value of the fringe benefit to the employee plus the fringe benefits tax component, leave entitlements including superannuation contribution component.

(b) Defined contribution plans include West State, Gold State, GESB and other eligible funds.

(c) The compensation of key management personnel has been disclosed at Note 28.

Employment on-costs liability is included in Note 20 'Provisions'.

7. SUPPLIES AND SERVICES

	2017 $	2016 $
Communications	56,731	52,954
Consultants and contractors	414,986	406,238
Consumables	68,473	31,662
Materials	72,151	74,968
Lease, rent and hire costs	34,932	44,256
Travel	90,104	93,472
Other	73,139	83,720
	810,516	787,270

	2017 $	2016 $

8. DEPRECIATION AND AMORTISATION EXPENSE

	2017 $	2016 $
Depreciation		
Office equipment	2,388	3,543
Total Depreciation	2,388	3,543

9. ACCOMMODATION EXPENSES

	2017 $	2016 $
Lease rentals	311,675	299,351

10. OTHER EXPENSES

	2017 $	2016 $
Audit fees (a)	51,063	44,400

(a) The cost represents internal and external audit fees. Refer also to Note 29 ‘Remuneration of Auditor’.

11. OTHER REVENUE

	2017 $	2016 $
Expense recoveries from other agencies	8,608	7,378
GST refund relating to prior years	-	344
	8,608	7,722

		2017 $	2016 $

12. INCOME FROM STATE GOVERNMENT

		2017 $	2016 $
Appropriation received during the period:			
Service appropriation	(a)	3,617,000	3,570,000
Resources received free of charge:	(b)		
Determined on the basis of the following estimates provided by agencies:			
Department of Finance – Building and Management Works		88,053	96,876

(a) Service appropriations fund the net cost of services delivered. Appropriation revenue comprises a cash component and a receivable (asset). The receivable (holding account) comprises the depreciation expense for the year and any agreed increase in leave liability during the year.

(b) Assets or services received free of charge or for nominal cost are recognised as revenue at fair value of the assets and/or services that can be reliably measured and which would have been purchased if they were not donated. Contributions of assets or services in the nature of contributions by owners are recognised direct to equity.

13. RESTRICTED CASH AND CASH EQUIVALENTS

Non-Current

	2017 $	2016 $
Accrued salaries suspense accounts (i)	7,000	-

(i) Funds held in the suspense account used only for the purpose of meeting the 27th pay in a financial year that occurs every 11 years.

	2017 $	2016 $

14. RECEIVABLES

Current

	2017 $	2016 $
Receivables	1,108	14,361
GST receivable	28,608	26,535
FBT receivable	13,626	-
Total Current	43,342	40,896

The Office does not hold any collateral or other credit enhancements as security for receivables.

15. AMOUNTS RECEIVABLE FOR SERVICES (HOLDING ACCOUNT)

	2017 $	2016 $
Current	26,000	26,000
Non-Current	179,000	177,000
	205,000	203,000

Represents the non-cash component of service appropriations. It is restricted in that it can only be used for asset replacement or payment of leave liability.

16. OTHER CURRENT ASSETS

	2017 $	2016 $
Prepayments	31,894	49,786

17. PLANT AND EQUIPMENT

	2017 $	2016 $
Computing hardware (at cost)	171,546	171,546
Less: Accumulated depreciation	(143,828)	(143,828)
	27,718	27,718
Office equipment (at cost)	17,714	17,714
Less: Accumulated depreciation	(13,799)	(11,411)
	3,915	6,303
Total Plant and Equipment	31,633	34,021

Reconciliations of the carrying amounts of plant and equipment at the beginning and end of the reporting period are set out in the table below:

2017	**Computer Hardware $**	**Office Equipment $**	**Total $**
Carrying amount at start of year	27,718	6,303	34,021
Additions	-	-	-
Depreciation	-	(2,388)	(2,388)
Carrying amount at end of year	27,718	3,915	31,633
2016			
Carrying amount at start of year	-	9,846	9,846
Additions	27,718	-	27,718
Depreciation	-	(3,543)	(3,543)
Carrying amount at end of year	27,718	6,303	34,021

18. IMPAIRMENT OF ASSETS

There were no indications of impairment to plant and equipment as at 30 June 2017.

The Office held no goodwill or intangible assets with an indefinite useful life during the reporting period. At the end of the reporting period there were no intangible assets not yet available for use. All surplus assets at 30 June 2017 have either been classified as assets held for sale or written-off.

		2017	**2016**
		$	**$**

19. PAYABLES

		2017 $	2016 $
Current			
Trade payables		58,478	88,733
Accrued expenses		83,093	58,269
Accrued salaries		8,000	-
		149,571	147,002

20. PROVISIONS

		2017 $	2016 $
Current			
Employee Benefits Provision			
Annual leave	(a)	179,375	238,082
Long service leave	(b)	324,545	279,120
		503,920	517,202
Other Provisions			
Employment on-costs	(c)	2,528	2,485
		506,448	519,687
Non-Current			
Employee Benefits Provision			
Long service leave	(b)	141,624	162,474
Other Provisions			
Employment on-costs	(c)	711	812
		142,335	163,286

20. PROVISIONS (Continued)

	2017 $	2016 $
(a) Annual leave liabilities have been classified as current as there is no unconditional right to defer settlement for at least 12 months after the end of the reporting period. Assessments indicate that actual settlement of the liabilities is expected to occur as follows:		
Within 12 months of the end of the reporting period	144,197	179,458
More than 12 months after the end of the reporting period	35,198	58,624
	179,375	238,082
(b) Long service leave liabilities have been classified as current where there is no unconditional right to defer settlement for at least 12 months after the end of the reporting period. Assessments indicate that actual settlement of the liabilities is expected to occur as follows:		
Within 12 months of the end of the reporting period	98,483	35,436
More than 12 months after the end of the reporting period	367,686	406,158
	466,169	441,594

(c) The settlement of annual and long service leave liabilities gives rise to the payment of employment on-costs including workers' compensation insurance. The provision is the present value of expected future payments.

	2017 $	2016 $
Movements in Other Provisions		
Movements in each class of provisions during the reporting period, other than employee benefits, are set out below.		
Current		
Employment On-Cost Provision		
Carrying amount at start of period	2,485	2,410
Additional provisions recognised	43	75
Carrying amount at end of period	2,528	2,485
Non-Current		
Carrying amount at start of period	812	681
Additional provisions recognised	-	131
Reduction in provisions recognised	(101)	-
Carrying amount at end of period	711	812

21. EQUITY

The Government holds the equity interest in the Office on behalf of the community. Equity represents the residual interest in the net assets of the Office.

	2017 $	2016 $
Contributed Equity		
Balance at start of period	274,000	274,000
Contributions by owners		
Capital appropriation	-	-
Total contributions by owners	-	-
Balance at end of period	274,000	274,000
Accumulated Deficit		
Balance at start of period	(412,605)	(485,738)
Result for the period	119,083	73,133
Balance at end of period	(293,522)	(412,605)
Total Deficit at End of Period	(19,522)	(138,605)

Liabilities exceed assets for the Office, therefore, there is no residual interest in the assets of the Office. This equity deficit arose through approved excessive unfunded spending in the early years (2000 to 2010) when the Office was growing into its role as an Inspector of Custodial Services.

22. NOTES TO THE STATEMENT OF CASH FLOWS

		2017 $	2016 $
Reconciliation of Cash			
Cash at the end of the reporting period as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:			
Cash and cash equivalents		459,963	363,665
Restricted cash and cash equivalents		7,000	-
		466,963	363,665
Reconciliation of net cost of services to net cash flows used in operating activities			
Net cost of services		(3,585,970)	(3,593,743)
Non-Cash Items:			
Depreciation and amortisation		2,388	3,543
Resources received free of charge		88,053	96,876
(Increase)/Decrease in Assets:			
Current receivables	(a)	(373)	20,429
Other current assets		17,892	9,408
Increase/(Decrease) in Liabilities:			
Current payables		2,571	(111,210)
Current provisions		(13,239)	34,961
Non-current provisions		(20,951)	26,334
Net GST receipts/(payments	(b)	(2,073)	11,767
Net Cash Used in Operating Activities		(3,511,702)	(3,501,635)

(a) Note that the Australian Taxation Office (ATO) receivable/payable in respect of GST and the receivable/payable in respect of the sale/ purchase of non-current assets are not included in these items as they do not form part of the reconciling items.

(b) This is the net GST paid/received, i.e., cash transaction.

	2017 $	2016 $

23. COMMITMENTS

The commitments below are inclusive of GST where relevant.

Non-Cancellable Operating Lease Commitments

	2017 $	2016 $
Commitments for minimum lease payments are payable as follows:		
Within 1 year	381,595	371,495
Later than 1 year and not later than 5 years	-	381,595
	381,595	753,090

Other Expenditure Commitments – IT Services

Other expenditure commitments (IT services) contracted at the end of the reporting period but not recognised as liabilities, are payable as follows

	2017 $	2016 $
Within 1 year	113,411	25,691
Later than 1 year and not later than 5 years	132,396	25,691
	245,807	51,382

Other Expenditure Commitments – Vehicle Leases

Other expenditure commitments (vehicle leases) contracted at the end of the reporting period but not recognised as liabilities, are payable as follows

	2017 $	2016 $
Within 1 year	6,501	7,972
Later than 1 year and not later than 5 years	16,638	11,192
	23,139	19,164

24. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

There were no contingent liabilities or contingent assets as at 30 June 2017.

25. EVENTS OCCURRING AFTER THE END OF THE REPORTING PERIOD

There were no events occurring after the reporting date that impact on the financial statements.

26. EXPLANATORY STATEMENT

All variances between estimates (original budget) and actual results for 2017, and between the actual results for 2017 and 2016 are shown below. Narratives are provided for key variations selected from observed major variances, which are generally greater than:

5% and $71,891 for the Statements of Comprehensive Income and Cash Flows; and,
5% and $13,600 for the Statement of Financial Position

Significant variances between estimate and actual for 2017:

Statement of Comprehensive Income	Variance Note	Original Budget 2017	Actual 2017	Actual 2016	Variance Between Estimate and Actual	Variance Between Actual Results for 2017 and 2016
Employee benefits expense	(1)	2,582,000	2,418,936	2,466,901	(163,064)	(47,965)
Supplies and services	(2)	683,000	810,516	787,270	127,516	23,246
Depreciation & amortisation expense		4,000	2,388	3,543	(1,612)	(1,155)
Accommodation expenses		305,000	311,675	299,351	6,675	12,324
Other expenses		48,000	51,063	44,400	3,063	6,663
Total Cost of Services		3,622,000	3,594,578	3,601,465	(27,422)	(6,887)
Income						
Revenue						
Other revenue		5,000	8,608	7,722	3,608	886
Total Revenue		5,000	8,608	7,722	3,608	886
Total Income other than Income from State Government		5,000	8,608	7,722	3,608	886
NET COST OF SERVICES		3,617,000	3,585,970	3,593,743	(31,030)	7,773
Income from State Government						
Service appropriation		3,617,000	3,617,000	3,570,000	-	47,000
Services received free of charge	(3)	6,000	88,053	96,876	82,053	(8,823)
Total Income from State Government		3,623,000	3,705,053	3,666,876	82,053	38,177
SURPLUS/(DEFICIT) FOR THE PERIOD		6,000	119,083	73,133	113,083	45,950
OTHER COMPREHENSIVE INCOME						
Items not reclassified subsequently to profit or loss		-	-	-	-	-
Total other comprehensive income		-	-	-	-	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		6,000	119,083	73,133	113,083	45,950

Statement of Comprehensive Income

	Variance Note	Original Budget 2017	Actual 2017	Actual 2016	Variance Between Estimate and Actual	Variance Between Actual Results for 2017 and 2016
ASSETS						
Current Assets						
Cash and cash equivalents	(4), A	237,000	459,963	363,665	222,963	96,298
Restricted cash and cash equivalents	(5)	88,000	-	-	(88,000)	-
Receivables	(6)	73,000	43,342	40,896	(29,658)	2,446
Amounts receivable for services		26,000	26,000	26,000	-	-
Other current assets	(7), B	59,000	31,894	49,786	(27,106)	(17,892)
Total Current Assets		483,000	561,199	480,347	78,199	80,852
Non-Current Assets						
Restricted cash and cash equivalents	(5)	8,000	7,000	-	(1,000)	7,000
Amounts receivable for services		179,000	179,000	177,000	-	2,000
Plant and equipment	(8)	10,000	31,633	34,021	21,633	(2,388)
Total Non-Current Assets		197,000	217,633	211,021	20,633	6,612
TOTAL ASSETS		680,000	778,832	691,368	98,832	87,464
LIABILITIES						
Current Liabilities						
Payables		147,000	149,571	147,000	2,571	2,571
Provisions	(9)	481,000	506,448	519,687	25,448	(13,239)
Other current liability	(9)	111,000	-	-	(111,000)	-
Total Current Liabilities		739,000	656,019	666,687	(82,981)	(10,668)
Non-Current Liabilities						
Provisions	C	141,000	142,335	163,286	1,335	(20,951)
Total Non-Current Liabilities		141,000	142,335	163,286	1,335	(20,951)
TOTAL LIABILITIES		880,000	798,354	829,973	(81,646)	(31,619)
NET ASSETS		(200,000)	(19,522)	(138,605)	180,478	119,083
EQUITY						
Contributed equity		274,000	274,000	274,000	-	-
Accumulated surplus/(deficit)	(10), D	(474,000)	(293,522)	(412,605)	180,478	119,083
TOTAL EQUITY/(DEFICIT)		(200,000)	(19,522)	(138,605)	180,478	119,083

26. EXPLANATORY STATEMENT (Continued)

Statement of Cash Flows

Statement of Cash Flows (Controlled Operations)	Variance Note	Original Budget 2017	Actual 2017	Actual 2016	Variance Between Estimate and Actual	Variance Between Actual Results for 2017 and 2016
CASH FLOWS FROM STATE GOVERNMENT						
Service appropriations		3,589,000	3,589,000	3,542,000	-	47,000
Holding account drawdowns		26,000	26,000	26,000	-	-
Net cash provided by State Government		3,615,000	3,615,000	3,568,000	-	47,000
CASH FLOWS FROM OPERATION ACTIVITIES						
Payments						
Employee benefits	(11)	(2,574,000)	(2,445,500)	(2,434,816)	128,500	(10,684)
Supplies and services		(663,000)	(709,687)	(742,242)	(46,687)	32,555
Accommodation		(305,000)	(311,989)	(299,666)	(6,989)	(12,323)
Other payments		(48,000)	(51,062)	(44,400)	(3,062)	(6,662)
GST payments on purchases		(100,000)	(104,522)	(114,956)	(4,522)	10,434
Receipts						
GST receipts on sales		-	136	10,542	136	(10,406)
GST receipts from taxation authority		100,000	102,314	116,181	2,314	(13,867)
Other receipts		5,000	8,608	7,722	3,608	886
Net cash provided by/(used In) operating activities		(3,585,000)	(3,511,702)	(3,501,635)	73,298	(10,067)
CASH FLOWS FROM INVESTING ACTIVITIES						
Payments						
Purchase of non-current physical assets		(26,000)	-	(27,718)	26,000	27,718
Net cash provided by/(used) in investing activities		(26,000)	-	(27,718)	26,000	27,718
Net increase in cash and cash equivalents	(12)	4,000	103,298	38,647	99,298	64,651
Cash and cash equivalents at the beginning of the period		329,000	363,665	325,018	34,665	38,647
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		333,000	466,963	363,665	133,963	103,298

Notes to Variances Between Budgeted and Actual Expenses

Statement of Comprehensive Income

(1) Employee benefits expense was lower than budget as the Office did not require the budgeted level of support from seconded employees to meet its operational objectives for the year. This saved approximately $50,000 of salaries and allowances.

The Office budgeted for an increase in employee provisions expense. However, the Office successfully managed to reduce employee entitlements.

(2) Supplies and services expense exceeded budget by $128,000. A free of charge expense totalling $88,000, applicable to the depreciation of the leasehold fit out of the Inspector's Offices at Albert Facey House Perth, is included in actual supplies and services expense. The Office did not budget for this amount nor did the Office budget for the corresponding free of charge revenue. Also, the Office spent $23,000 on the upgrade of its website to increase functionality and allow for access via mobile phones.

(3) Services free of charge, representing depreciation of $88,000 on the leasehold fit-out of the Office, was not wholly included in the budget.

Statement of Financial Position

(4) The budget was prepared based on a surplus of $6,000; and, an opening cash balance of $237,000. The actual surplus for the year was $119,000, and the actual opening cash balance was $363,000.

(5) The Office budgeted for the 27th pay to be outstanding at 30 June 2017. However, the Office made payment on 30 June 2016. The restricted cash at 30 June 2017 has been classified as non-current.

(6) The decrease in receivables of $30,000 reflects the timing of receipts.

(7) The decrease in other assets of $27,000 reflects the timing of expense payments.

(8) The difference represents items capitalised in 2016, which were expected to be expensed in the budget estimate.

(9) The provisions consist of employee provisions for annual leave and long service leave. Outstanding leave hours decreased during the current reporting period as part of the Office's concerted drive to reduce employee liabilities. Also, during the current reporting period employees on higher salaries took leave, thus reducing the total outstanding leave liability balance. The Office had budgeted for an increase in employee leave liabilities for the current reporting period.

(10) The Office budgeted for a surplus of $6,000 in 2017. The Office was able to achieve savings in the delivery of services, which resulted in the Office achieving a surplus of $119,000 for the year.

26. EXPLANATORY STATEMENT (Continued)

Notes to Variances Between Budgeted and Actual Expenses

Statement of Cash Flow

(11) The reduced cash payments for employee benefits expense of $129,000 resulted from a lower than budgeted leave employee payments of $79,000. Also, the Office did not require the budgeted level of support from seconded employees to meet its operational objectives for the year, which saved approximately $50,000 of salaries and allowances.

(12) The Office budgeted for a surplus of $6,000 in 2017. However, the Office was able to achieve savings in the delivery of services, which resulted in the Office achieving a surplus of $119,000 for the year.

Comments to Variances Between Actual Results for 2017 and 2016

Statement of Financial Position

A The increased cash resulted from reduced spending and increased service appropriations for the reporting period.

B The decrease in other assets of $27,000 reflects the timing of expense payments.

C The provisions consist of employee provisions for annual leave and long service leave. Outstanding leave hours decreased during the current reporting period as part of the Office's concerted drive to reduce employee liabilities. Also, during the current reporting period employees on higher salaries took leave, thus reducing the total outstanding leave liability balance.

D The decrease in the accumulated deficit reflects the surplus achieved on the delivery of services for the reporting period.

27. FINANCIAL INSTRUMENTS

(a) Financial Risk Management Objectives and Policies

Financial Instruments held by the Office are cash and cash equivalents, restricted cash and cash equivalents, receivables and payables. The Office has limited exposure to financial risks. The Office's overall risk management program focuses on managing the risks identified below.

Credit Risk

Credit risk arises when there is the possibility of the Office's receivables defaulting on their contractual obligations resulting in financial loss to the Office.

The maximum exposure to credit risk at the end of the reporting period in relation to each class of recognised financial assets is the gross carrying amount of those assets inclusive of any allowance for impairment as shown in the table at Note 27 (c) 'Financial Instrument Disclosures' and Note 14 'Receivables'.

Credit risk associated with the Office's financial assets is minimal because the main receivable is the amounts receivable for services (holding account). For receivables other than government, the Office trades only with recognised, creditworthy third parties. The Office has policies in place to ensure that services are made to customers with an appropriate credit history. In addition, receivable balances are monitored on an ongoing basis with the result that the Office's exposure to bad debts is minimal. At the end of the reporting period there were no significant concentrations of credit risk.

Liquidity Risk

Liquidity risk arises when the Office is unable to meet its financial obligations as they fall due.

The Office is exposed to liquidity risk through its trading in the normal course of business.

The Office has appropriate procedures to manage cash flows including drawdowns of appropriations by monitoring forecast cash flows to ensure that sufficient funds are available to meet its commitments.

Market Risk

Market risk is the risk that changes in market prices such as foreign exchange rates and interest rates will affect the Office's income or value of its holdings of financial instruments. The Office does not trade in foreign currency and is not materially exposed to other price risks.

27. FINANCIAL INSTRUMENTS (Continued)

(b) Categories of Financial Instruments

The carrying amounts of each of the following categories of financial assets and financial liabilities at the end of the reporting period are:

		2017 $	2016 $
Financial Assets			
Cash and cash equivalents		459,963	363,665
Restricted cash and cash equivalents		7,000	-
Receivables	(i)	1,108	14,361
Amounts receivable for services		205,000	203,000
Financial Liabilities			
Payables		149,574	147,000

(i) The amount of receivables excludes GST and FBT recoverable from the Australian Taxation Office (statutory receivables).

(c) Financial Instrument Disclosures

Credit Risk

The following table details the Office's maximum exposure to credit risk and the ageing analysis of financial assets. The Office's maximum exposure to credit risk at the end of the reporting period is the carrying amount of the financial assets as shown below. The table discloses the ageing of financial assets that are past due but not impaired and impaired financial assets. The table is based on information provided to senior management of the Office.

The Office does not hold any collateral as security or other credit enhancements relating to the financial assets it holds.

Aged Analysis of Financial Assets

			Past Due But Not Impaired					
2017	Carrying Amount $	Not Past Due And Not Impaired $	Up to 1 Month $	1 – 3 Months $	3 Months To 1 Year $	1 – 5 Years $	More than 5 Years $	Impaired Financial Assets $
Cash and cash equivalents	459,963	459,963	-	-	-	-	-	-
Restricted cash and cash receivables	7,000	7,000						
Receivables (i)	1,108	1,108	-	-	-	-	-	-
Amounts receivable for service	205,000	205,000	-	-	-	-	-	-
	673,071	673,071	-	-	-	-	-	-
2016								
Cash and cash equivalents	363,665	363,665	-	-		-	-	-
Receivables (i)	14,361	14,361	-	-	-	-	-	-
Amounts receivable for service	203,000	203,000	-	-	-	-	-	-
	581,026	581,026	-	-	-	-	-	-

(i) The amount of receivables excludes the GST and FBT recoverable from the ATO (statutory receivables).

27. FINANCIAL INSTRUMENTS (Continued)

(c) Financial Instrument Disclosures (Continued)

Liquidity Risk and Interest Rate Exposure

The following table details the Office's interest rate exposure and the contractual maturity analysis of financial assets and financial liabilities. The maturity analysis section includes interest and principal cash flows. The interest rate exposure section analyses only the carrying amounts of each item.

Interest rate exposure and maturity analysis of financial assets and financial liabilities.

2017	Weighted Average Effective Interest Rate %	Interest Rate Exposure					Maturity Dates				
		Carrying Amount $	Fixed Interest Rate $	Variable Interest Rate $	Non Interest Bearing $	Nominal Amount $	Up to 1 Month $	1-3 Months $	3 Months To 1 Year $	1-5 Years $	More than 5 Years $
Financial Assets											-
Cash and cash equivalents	NIL	459,963	-	-	459,963	459,963	459,963	-	-	-	-
Restricted cash and cash equivalents	NIL	7,000	-	-	7,000	7,000					7,000
Receivables (i)	NIL	1,108	-	-	1,108	1,108	1,108	-	-	-	-
Amounts receivable for services	NIL	205,000	-	-	205,000	205,000	-	-	26,000	179,000	-
		673,071	-	-	673,071	673,071	461,071	-	26,000	179,000	7,000
Financial Liabilities											
Payables	NIL	149,574	-	-	149,574	149,574	149,574	-	-	-	-
		149,574	-	-	149,574	149,574	149,574	-	-	-	-

(i) The amount of receivables excludes the GST and FBT recoverable from the ATO (statutory receivables)

Liquidity Risk and Interest Rate Exposure (Continued)

Interest rate exposure and maturity analysis of financial assets and financial liabilities.

2016	**Weighted Average Effective Interest Rate %**	**Interest Rate Exposure**					**Maturity Dates**				
		Carrying Amount $	**Fixed Interest Rate $**	**Variable Interest Rate $**	**Non Interest Bearing $**	**Nominal Amount $**	**Up to 1 Month $**	**1-3 Months $**	**3 Months To 1 Year $**	**1-5 Years $**	**More than 5 Years $**
Financial Assets											-
Cash and cash equivalents	NIL	363,665	-	-	363,665	363,665	363,665	-	-	-	-
Receivables (i)	NIL	14,361	-	-	14,361	14,361	14,361	-	-	-	-
Amounts receivable for services	NIL	203,000	-	-	203,000	203,000	-	26,000	177,000	-	-
		581,026	-	-	581,026	581,026	378,026	26,000	177,000	-	-
Financial Liabilities								-	-	-	-
Payables	NIL	147,000	-	-	147,000	147,000	147,000				
		147,000	-	-	147,000	147,000	147,000	-	-	-	-

(i) The amount of receivables excludes the GST recoverable from the ATO (statutory receivable)

27. FINANCIAL INSTRUMENTS (Continued)

(c) Financial Instrument Disclosures (Continued)

Interest Rate Sensitivity Analysis
None of the Office's financial assets and liabilities at the end of the reporting period are sensitive to movements in interest rates, hence movements in interest rates have no bottom line impact on the Office's surplus or equity.

Fair Values
All financial assets and liabilities recognised in the Statement of Financial Position, whether they are carried at cost or fair value, are recognised at amounts that represent a reasonable approximation of fair value unless otherwise stated in the applicable notes.

28. COMPENSATION OF KEY MANAGEMENT PERSONNEL

The Office has determined that key management personnel include the responsible Minister and senior officers of the Office. However, the Office is not obligated to compensate the responsible Minister and therefore no disclosure is required. The disclosures in relation to Ministers' compensation may be found in the *Annual Report on State Finances.*

Total compensation of senior officers of the Office for the reporting period is presented within the following bands:

	2017	2016
Compensation Bands ($)		
60,001 - 70,000	-	1
160,001 - 170,000	-	1
190,001 - 200,000	1	-
260,001 - 270,000	-	1
300,001 - 310,000	1	-
	$	**$**
Short term employee benefits	398,905	387,541
Post employment benefits	60,222	62,826
Other long term benefits	46,733	46,466
Termination benefits	-	-
Total compensation of senior officers	505,860	496,833

During 2016 an additional senior officer was employed to cover the position of the Inspector for three months while the incumbent was ill.

	2017 $	2016 $

29. REMUNERATION OF AUDITOR

Remuneration paid or payable to the Auditor General in respect of the audit for the current financial year is as follows:

	2017 $	2016 $
Auditing the accounts, financial statements and key performance indicators	27,700	27,300

30. SUPPLEMENTARY FINANCIAL INFORMATION

The Office did not have any bad debts in the years ended 30 June 2017 and 2016. Furthermore, the Office had no write-offs of public property; no losses through theft or default; and, no gifts of public property made or received in 2016 and 2017.

31. RELATED PARTY DISCLOSURE

The Office is a wholly-owned public sector entity that is controlled by the State of Western Australia. In conducting its activities, the Office is required to pay various taxes and levies based on the standard terms and conditions that apply to all tax and levy payers to the State and entities related to the State.

Related parties of the Office include:

- all Ministers and their close family members, and their controlled or jointly controlled entities;
- all senior officers and their close family members, and their controlled or jointly controlled entities;
- other departments and statutory authorities, including their related bodies, that are included in the whole of government consolidated financial statements;
- associates and joint ventures of an entity that are included in the whole of Government consolidated financial statements; and
- the Government Employees Superannuation Board (GESB).

31. RELATED PARTY DISCLOSURE (Continued)

Significant Transactions with Government-Related Entities

The Office has adopted a materiality threshold of $20,000 for significant transactions.

Significant transactions include:	$
• Service appropriation received from the State Government	3,617,000
• Depreciation of the Office leasehold fit-out received free of charge from the Department of Finance	88,053
• Remuneration for audit services to Auditor General	27,700
• Operating lease payments to the Department of Finance for office rent and IT services	369,376
• Payment of insurance premiums to RiskCover	23,711
• Commitments for future lease payments to the Department of Finance	407,286
• Commitments for future lease payments to State Fleet	23,139

Material Transactions with Other Related Parties

Significant transactions include:	
• Superannuation payments to GESB	173,162

The Office had no other material related party transaction with Ministers, Senior Officers or their close family members or their controlled or jointly controlled entities.

Inspection of prisons, court custody centres, prescribed lock-ups, juvenile detention centres and review of custodial services in Western Australia.